



COMMONWEALTH OF PENNSYLVANIA
Department of the Auditor General

SUMMARY REPORT:
THE SCHOOL DISTRICT OF THE CITY OF LANCASTER

December 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Introduction and Background.....	1
Executive Summary.....	3
Recommendations.....	3
Findings	
<u>Finding No. 1</u> - The school district failed to manage the selection, monitoring and oversight of educational consultants.....	9
Conclusions and Recommendations.....	15
The School District’s Response to Finding No. 1.....	18
The Department of the Auditor General’s Comments.....	20
<u>Finding No. 2</u> - The school district failed to manage the Cultural Translator Program costing approximately \$382,000 obtained from federal grant funds.....	21
Conclusions and Recommendations.....	30
The School District’s Response to Finding No. 2.....	34
The Department of the Auditor General’s Comments.....	34
<u>Finding No. 3</u> - The school district failed to manage the use of credit cards.....	35
Conclusions and Recommendations.....	47
The School District’s Response to Finding No. 3.....	49
The Department of the Auditor General’s Comments.....	50
<u>Finding No. 4</u> - The school district failed to manage the use of cellular telephones.....	51
Conclusions and Recommendations.....	52

The School District’s Response to Finding No. 4.....	53
The Department of the Auditor General’s Comments	53
<u>Finding No. 5</u> - The school district did not have in its records Statements of Financial Interests that are required to be filed in accordance with the Ethics Act	55
Conclusions and Recommendations.....	55
The School District’s Response to Finding No. 5.....	56
The Department of the Auditor General’s Comments	56
School District of Lancaster Response to the Draft Summary Report.....	57
Former Superintendent Phillips’ Response to the Draft Summary Report	63
The Department of the Auditor General’s Comments on Phillips’ Response	65
Distribution List.....	67

Tables

Table No. 1 – Payments To Educational Consultants.....	9
Table No. 2 – Alternative Strategies Grant Funding.....	21
Table No. 3 – Hours Billed and Payments To The Shalom Partnership.....	28
Table No. 4 – Credit Card Transaction Types By Category, January 1, 2003, To December 31, 2003	36
Table No. 5 – Curry’s Hotel Credit Card Charges.....	39
Table No. 6 – Inappropriate Credit Card Charges By The Director of Communications, 2001-2003	41
Table No. 7 – Credit Card Purchases Of Compact Disks	44

INTRODUCTION AND BACKGROUND

The Department of the Auditor General (the Department) conducts audits of school districts pursuant to its authority and responsibility under The Fiscal Code.¹ In December 2003, the Department's Office of Special Investigations (OSI) received complaints of alleged misuse of funds and conflicts of interest relating to the hiring of consultants by the then-superintendent of the School District of Lancaster (the school district). OSI then began an investigation.

In January 2004, media reports began to appear concerning the allegations against the school district superintendent. During the same month, the Department learned that the Federal Bureau of Investigation (FBI) was investigating the allegations against the superintendent and the school district announced that an internal investigation of the use of consultants was being conducted by an independent accounting firm. The superintendent resigned on January 27, 2004.

In September 2004, a Criminal Information charging former superintendent Ricardo Curry with mail fraud was filed in the United States District Court for the Eastern District of Pennsylvania by the United States Attorney's Office.² On September 28, 2004, Curry pleaded guilty to charges in the Criminal Information. Curry is scheduled to be sentenced on January 14, 2005.

The OSI investigation focused on (1) consulting services; (2) the Cultural Translator Program; (3) credit cards; and (4) use of cellular telephones. Our investigation was conducted in cooperation with the federal inquiry. During our investigation, the Department received other complaints and discovered other questionable matters concerning school district activities. Those complaints for which an investigation was warranted will be addressed in a future OSI report. The others are being referred to the school district or to the appropriate agency, for action and/or further review. One matter, relating to records of financial interests reports required to be filed by school district officials, is addressed in this report.

OSI's investigation included interviews of current and former school district officials and employees, interviews of consultants and vendors and reviews of school district records and records of vendors. The period of our review generally covered the 1997-1998 school year through the 2003-2004 school year unless otherwise noted. Due to the federal investigation, some records and individuals were unavailable to us or did not become available until late in the investigation.

¹ 72 P.S. § 403.

² United States of America v. Ricardo Curry, Criminal No. 04-560.

During the period covered by the inquiry, the school district had several changes of management-level officials, including superintendents and business managers. Where necessary for clarity, former superintendents are identified by name. Former Superintendent Phillips, who served from 1998 to January 2003, was interviewed.³ Former Superintendent Curry, who served from April 2003 to January 2004, declined to be interviewed when we made an initial attempt to do so in January 2004. He has not been available to be interviewed since that time.

On November 19, 2004, the draft summary report was made available to school district officials to provide the school district with the opportunity to submit a response. The school district's complete response was received on November 25, 2004, and is included in the report on pp. 57-62. Portions of the response that relate to individual findings are also presented in the sections of the report concerning the finding, together with the Department's comments. The school district's implementation of its corrective actions will be monitored by the Department in future regular audits.

A copy of the draft report was also provided to former Superintendent Phillips. She sent a response, which has also been included in the report at pp. 63-64, together with the Department's comments related to the response.

³ Former Superintendent Phillips served as Secretary of the Pennsylvania Department of Education from January 2003 until July 2004.

EXECUTIVE SUMMARY

The school district failed to manage the selection, monitoring and oversight of educational consultants.

The school district failed to manage a Cultural Translator Program costing approximately \$382,000 obtained from federal grant funds.

The school district failed to manage the use of credit cards.

The school district failed to manage the use of cellular telephones.

The school district did not have in its records Statements of Financial Interests required to be filed by school district officials in accordance with the Ethics Act.

RECOMMENDATIONS

1. The school district should immediately develop and implement policies and procedures relating to educational consultants; implementation should be closely monitored by the school board; monitoring should include the full participation of the business manager and regular oversight by the school district's independent auditor. (Finding No. 1.)
2. The school district should require all educational consultants providing services to the school district to have a written agreement or contract. (Finding No. 1.)
3. Terms and conditions of consultant agreements should include:
 - A listing of other payments to which consultants are entitled, including travel expenses and reimbursement for supplies.
 - The time period of agreements, including start and ending dates.
 - A description of information to be presented on invoices, such as details of specific services, dates and places of service, and references to required documentation, such as reports.
 - The consultant's name, address, telephone number, e-mail address and federal identification number or Social Security number.

- A statement of required licensing and professional certifications and authorizations/waivers relating to criminal record background checks.
- A statement that agreements are contingent upon approval by the school board.
- A statement that the consultant is subject to periodic review or audit of services by school district personnel, state auditors, and/or independent auditors and that consultants must provide all requested records and documentation to auditors in a timely manner as a condition of the agreement.

(Finding No. 1.)

4. The school district should review all consultants currently providing services to the school district to ensure that the services are being provided, charges are reasonable and contract requirements are met. (Finding No. 1.)
5. Written agreements should be obtained for all current consultants. (Finding No. 1.)
6. The school district should appoint a full-time qualified administrator to monitor consultant services. The administrator should report to the business manager or the appropriate committee of the school board and should provide periodic reports to the school board concerning consultants and their services. (Finding No. 1.)
7. Consultants' invoices should be reviewed and approved for payment by the Business office. (Finding No. 1.)
8. The administrator should sign off on consultants' invoices prior to their approval. (Finding No. 1)
9. No one with a personal or financial relationship to a school district official should be hired as a consultant without full disclosure of the nature of the relationship to the school board in writing and abstention of the school district official from any role in the hiring process. (Finding No. 1.)
10. The school district should conduct a detailed review of the 20 additional consultants for which former Superintendent Curry was the school district official who signed off on invoices or who dealt with the individual consultant. (Finding No. 1.)
11. The school district should obtain from the Shalom Partnership and other parties, including former superintendent Curry and law enforcement agencies, all records and other information concerning billings and charges for Cultural Translators, including timesheets, pay records, and names, addresses and background materials for all

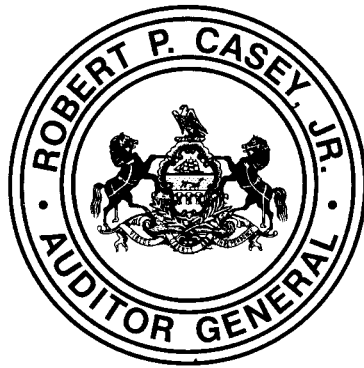
Cultural Translators, determine whether there is a reasonable basis for the charges, and seek reimbursement of all improper or undocumented charges. (Finding No. 2.)

12. The school district should adopt and enforce a policy that all persons performing services for the school district who may come into contact with students, including employees of a contractor, vendor and non-profit agencies, volunteers, consultants and temporary employees, obtain an up-to-date criminal record background check from the Pennsylvania State Police and all other background checks required by law. (Finding No. 2.)
13. The school district should review the appropriateness of the former Shalom Partnership grant administrator's continued involvement in school district activities in any capacity, including that of a contract employee. (Finding No. 2.)
14. The school district should establish, implement and enforce uniform district-wide policies and procedures regarding authorized credit card purchases. (Finding No. 3.)
15. The school district should ensure awareness and understanding of its credit card policies and procedures through the distribution of written materials and periodic training sessions for appropriate individuals, including authorized users, the business office staff, building principals and senior management officials. (Finding No. 3.)
16. The school district should differentiate between credit cards intended for use for purchases of supplies (generally referred to as "Purchasing Cards") and credit cards used for payment of travel expenses by individuals. The former should be assigned only to a specific and limited number of individuals with duties related to purchasing; the latter should be assigned only to officials and other employees who travel regularly, and who are responsible for making the payments for credit card charges themselves and then submitting claims for reimbursement to the school district for charges that are necessary and related to official school district business. (Finding No. 3.)
17. The school district should require all cardholders to reimburse the school district for all inappropriate purchases. (Finding No. 3.)
18. The school district should limit the number of credit cards and credit card users to the minimum necessary to conduct essential business and limit the vendors from which items can be purchased to those furnishing school supplies and other allowed items. (Finding No. 3.)
19. The school district should require approval by the school district technology office before purchasing technology-related items such as Palm Pilots, cellular telephones,

computers and printers and maintain an inventory of such items to prevent loss or misuse. (Finding No. 3.)

20. The school district should prohibit purchases of meals and food by purchasing card holders and prohibit purchasing cards from being used for travel or other travel-related costs. (Finding No. 3.)
21. The school district should impose strict timeframes for reconciliation of monthly credit card statements. (Finding No. 3.)
22. The school district should require submission and retention of documentation to justify credit card purchases and require regular reports to the school board by the business office concerning credit card use, the number and identity of cardholders, letters, notices and other actions taken in regard to questioned and inappropriate credit card purchases, and reimbursement payments for inappropriate charges. (Finding No. 3.)
23. The school district should obtain an explanation of the justification for the questionable credit card charges, or obtain full and immediate repayment (or, where possible, the items purchased) from former Superintendent Curry, the former Director of Communications and the former McCaskey High School principal in connection with all improper credit card charges. (Finding No. 3.)
24. The school district should adopt and enforce policies and procedures for cellular telephones that include: evaluation of the justification for each cellular telephone assigned based on the user's duties; a specific limitation of use to official business; a requirement that monthly bills should be sent to users for review and written acknowledgement that calls were for official purposes and not for personal use; and a requirement that charges for calls identified as personal should be repaid to the school district within 30 days. (Finding No. 4.)
25. If no charge is listed for a cellular telephone call because it is included in the cellular telephone plan, the school district should establish a reasonable amount that users should be required to pay the school district for personal calls. (Finding No. 4.)
26. The school district should ensure that substantial misuse of a cellular telephone or failure to pay for personal calls should result in return of the equipment to the school district and appropriate disciplinary action. (Finding No. 4.)
27. The school board should ensure that all records of financial interests required to be kept in the school district in accordance with the Ethics Act are present and kept in a secure location; that they are reviewed regularly by the solicitor to ensure that all information required to be on file is present; and that the school district follow the

direction and advice of the State Ethics Commission in regard to obtaining resubmission of missing SFIs. (Finding No. 5.)



FINDING NO. 1 – THE SCHOOL DISTRICT FAILED TO MANAGE THE SELECTION, MONITORING AND OVERSIGHT OF EDUCATIONAL CONSULTANTS.

During the fiscal years 1997-1998 through 2002-2003, the school district paid approximately \$3.2 million for educational consulting services.⁴ Our review found major deficiencies in the school district’s management of those services.

A school board member told OSI that when Superintendent Phillips was hired, “the school board told her that she could not raise taxes, so she needed to raise outside funds to keep test scores up and keep it operating. The school board knew that the current staff would not bring the changes to the district they needed, so [it] hired consultants to perform a lot of work.”⁵ Consultants were hired for services such as summer school tutoring, professional staff development, fostering communications between faculty and students/parents and implementation of computer software. The school district’s payments to educational consultants by school year are shown in Table No. 1. Overall, there was an increase of over 1,000 percent in payments to educational consultants in the six-year period. A portion of the funds used to pay consultants came from federal grants to the school district.

Table No. 1 - Payments To Educational Consultants

School Year	Amount
1997-1998	\$78,418.65
1998-1999	\$169,594.88
1999-2000	\$507,446.69
2000-2001	\$799,716.01
2001-2002	\$851,967.11
2002-2003	\$850,500.65
TOTAL	\$3,257,643.99

Selection of Consultants

The school district had no written policy for selecting educational consultants. During most of the period, consultants were selected personally by Superintendent Phillips or by members of her staff. Phillips told OSI that she personally hired or referred 19 consultants to the school district. She also stated that some consultants were specifically identified in grant applications. We found no evidence that the school

⁴ Pennsylvania school districts use the fiscal year July 1 through June 30 as the basis for financial record keeping and reporting. The period is often referred to as the school year. Approximately one-eighth of the total (\$421,633.50) was paid to one organization, the Shalom Partnership. The management of payments made to the Shalom Partnership is the subject of a separate finding in this report. (See Finding No. 2, pp. 19-31.)

⁵ Phillips served as superintendent from 1998 to January 2003.

district's business office participated in the selection of consultants. According to one of the business managers (Business Manager No. 2), the Business Office had no role in the selection of educational consultants.⁶ The school board played little, if any, role in the selection of consultants and gave formal authorization or approval of their selection in only a very limited number of cases. Other than those cases, the school board's only active participation in the school district's use of consultants was the approval of specific payments to individual consultants shown on monthly payment lists routinely submitted to the school board for approval.

General absence of written agreements

In most cases, the school district did not have written agreements with its educational consultants. In response to our request for detailed information and documentation the school district provided a list of 134 educational consultants. Our review disclosed that the school district had written agreements, with only ten, or approximately 7.4 percent, of them. Put another way, 69 percent, or approximately \$2.24 million of the funds the school district paid for educational consulting services during the period under review, was paid without a written agreement between the school district and the recipient of the payments.

Absence of effective monitoring

The only specific written controls over consultants were provided in the individual grants from which the school district obtained funds used to pay consultants. According to Business Manager No. 2, Superintendent Phillips was responsible for assigning school district employees to serve as administrators for each grant; employees designated as grant administrators included teachers, principals and the superintendent, and grant administrators were assigned to monitor grant services, manage the day-to-day activities of contractors and complete purchase orders.⁷ Grant administrators also reviewed recommendations and selected contractors to provide specific services called for by the terms of individual grants. According to Business Manager No. 2, grant administrators did not necessarily see, receive or sign off on invoices submitted by consultants.

The school district has employees referred to as "grant accountants" who are part of the Business Office. One of the grant accountants was responsible for ensuring that payments to educational consultants were charged to the correct grant. However, the grant accountant did not verify that consultants were actually performing the services. There was also little effective coordination between grant administrators and the Business Office in regard to monitoring of consultants' work, hours or invoices.

⁶ Business Manager No. 2 served in that position from March 2003 to September 2004, when she resigned. Prior to becoming business manager, the individual was employed by the school district for approximately 20 years.

⁷ In the school district, the terms "Grant Managers," "Grant Coordinators," and "grant administrators" were used at various times to describe employees with that responsibility,

Our review of consultant records

We requested the school district to provide us with its records concerning educational consultants for the period under review. Files relating to 134 consultants were made available to us.

The analysis of the files disclosed the following:

- The files of six consultants (4 percent of the total) contained no invoices. The consultants received \$8,943 from the school district. Note: In the school district's response to the draft summary report, it stated that Business Manager No. 2 assured the school district that payments would not have been made if invoices were not submitted. Therefore, the school district concluded that it was likely that the invoices were misfiled either after the payments were made or during the process of copying records requested by investigators. (The school district's complete response is presented on pp. 57-62 of the report.)
- The files of 46 consultants (34 percent of the total) contained invoices without details of the services provided to the school district. There were no details concerning when, or for how long, the services were provided or the identity of the individual, official or employee at the school district for whom the services were provided.
- The services were detailed adequately for 82 of the consultants. (As noted above, there were no invoices for six of the consultants.)⁸
- The files of 87 consultants (65 percent) contained invoices that had only signatures/initials of a member of the staff of the school district business office to denote that someone at the school district had signed off on the invoice as part of the approval process, or had no signature of any school district official or employee. Those consultants were paid approximately \$1.6 million by the school district. However, as noted above, when the Business Office staff signed off on a consultant's invoice, it did not verify that the consultants' services were provided. The Business Office reviewed invoices to ensure that the contractor information funding codes and allowable expenses were correct. Therefore, it is reasonable to conclude that there was no documentation in these files that any school district representative had signed off on the invoices to reflect that the consulting work had been done.

⁸ One of the consultants was the Shalom Partnership, which is discussed in detail in Finding No. 2 of this report.

- We judgementally selected 63 consultants to contact for the purpose of confirming that they performed services for the school district. We contacted 44 of those consultants and received confirmation from them that they had performed services; we were unable to contact 19 consultants. All of the 19 consultants' files contained invoices. However, eight of the files of consultants we were unable to contact had insufficient details or no details of the work on the invoices and three of them had no signatures on the invoices.

Overall, our review showed that in the majority of cases, the school district failed to have adequate internal controls in place. Specifically, payments to consultants were made without invoices, without detailed statements of the services or without sign-off by a school district official or employee to reflect that the services were performed.

Deficiencies in the school district's management of consultants were also demonstrated in regard to several consultants selected by Curry during the time he was a school district official; four individuals were paid a total of \$59,500 by the school district for educational consultant services. The four were, respectively, Curry's sister, girlfriend (later his wife), close friend and brother-in-law. The first three began receiving payments as "educational consultants" during 2001 while Curry was the Director of the Office of Teaching and Learning at the school district. Curry hired all three individuals and was the administrator for the grants from which the three individuals were paid. After Curry became superintendent in 2003, he hired his brother-in-law as a fourth consultant and continued to serve as the administrator for the grants from which the four consultants were paid. *No one other than Curry at the school district monitored the payments to those consultants.*

At the request of federal law enforcement officials, we did not attempt to obtain detailed information regarding the four consultants after the federal investigation of Curry's activities began. According to information presented to the court by the United States Attorney's Office at the time of Curry's guilty plea, invoices submitted for services by the four consultants were false, Curry himself received approximately \$3,000, and possibly more, from the consultants, Curry did not disclose his relationship with consultants to anyone at the school district and school board members told federal investigators that they were unaware that Curry had awarded the contracts to the consultants.

In short, the fraudulent transactions reflected a complete breakdown of management and oversight of the process of hiring, paying and monitoring consultants at the school district. In our review of the school district's records, we found that Curry was the school district official who either signed off on invoices or who dealt with the individual consultant in connection with 20 consultant files in addition to the four discussed above. The payments to the 20 consultants and their services should be

reviewed in detail by the school district to determine if the services were provided and if there were questionable relationships between Curry and the consultants.

Phillips told OSI that Curry never asked her if he could hire friends or relatives as consultants. She also said that she implemented a policy at the school district whereby staff and administrators were prohibited from hiring relatives. Curry apparently ignored the requirement and no one at the school appears to have questioned his actions.

It should be noted that three of the four persons whose purported consulting activities were part of Curry's fraud scheme were hired and paid during the period when Phillips was superintendent. The management breakdown did not occur only during Curry's time as superintendent.

In addition to the payments to Curry's relatives and friends, our review found questionable management and lack of controls in regard to two other consultants as described below. The school district had written agreements with both; both performed services for the school district. We found no basis to question their qualifications or competence. However, the school district failed to review the invoices or require detailed documentation of the services provided and, in one case, did not document the reason for a substantial increase in the consultant's daily rate.

Consultant No. 1

The individual performed services for the school district as an educational consultant for 20 days during April-July 1999. The payments totaled \$9,465, including \$2,465 as reimbursement for expenses. She then became a full-time employee of the school district and served from July 1999 to March 2002 as Director of the Office of Teaching and Learning. Her salary during the period ranged from approximately \$81,000 to \$86,000 per year. She resigned in March 2002, was then hired by the school district as an educational consultant during the same month, and performed consulting services until December 2002. She was paid \$800 per day for 108 days (a total of \$86,400) for her services as a consultant. At her previous salary as a school district employee, she would have been paid \$51,600 during the same period. (We did not include employee benefits in our calculations.)

The consultant's rate for her services in 2002 was *more than double* the rate in 1999 and was a substantial increase over what she would have been paid during the period as a school district employee. We found no record of any written justification for the increase in the amount paid to the consultant. Phillips told OSI that the consultant's rate was cheap in comparison to other consultants with the same qualifications. The school board approved the consultant's contract.

The school district had invoices on file from Consultant No. 1. The invoices did not contain dates, times, locations or descriptions of the services provided. Consultant No. 1 told OSI that she did not have “day-to-day service documentation” of her work as a consultant to the school district. She said that the limited detail on the invoices was not her choice; according to her, the business manager did not want to see much detail. The business manager (Business Manager No. 2) told OSI that she did not recall having a conversation with the consultant about invoice requirements.

Phillips told OSI that she monitored Consultant No. 1 depending on the assignment; she (Phillips) checked with the Business Office to find out what the invoice requirements were and there were never any red flags regarding consultants’ invoices in numerous audits of the school district, including those conducted by the Department of the Auditor General. (Payments to consultants were not part of the objectives of the Department’s regular audits of the school district.)

Consultant No. 2

The consultant was hired as a full-time school district employee in December 1998. She served as Supervisor of Development and Communications. Her main responsibility was the preparation of grant applications.⁹ She remained with the school district until June 2003. Her salary during the four and one-half year period of service ranged from approximately \$48,000 to approximately \$75,000.

When Consultant No. 2 left her employment with the school district, the school district entered into a written consulting agreement with her for services from July 1, 2003, to June 30, 2004.

According to Consultant No. 2, after she announced her resignation from her position as a school district employee, Superintendent Curry and some school board members approached her about staying on and continuing to work on grants. She said that the school district staff never questioned her about the invoices for her consulting services; she sent the invoices directly to Business Manager No. 2 and told the business manager to call her if there were questions or if additional information was needed; and, after several months the business manager told her to stop sending the invoices to the business manager and to send them directly to the individual responsible for accounts payable in the Business Office.

Consultant No. 2’s agreement called for her to be paid \$4,200 per month for an average of six days of service per month, plus travel costs and an additional \$250 per day for special projects. According to the school district’s records, Consultant No. 2

⁹ Among other duties as a school district employee, Consultant No. 2 served as administrator for the grant involving the Shalom Partnership (see Finding No. 2).

submitted six invoices for services for the period August 3, 2003, to January 4, 2004. Each of the invoices listed a rate of \$700 per day. She was paid a total of \$25,200.

The total of the payments she received as a consultant for a maximum of about 36 days' work (six months multiplied by an average of six days per month) was substantially larger than her pay as a salaried school district employee would have been for the same 30-day period. (We did not include employee benefits in our calculations.)

The school district did not have written policies and procedures for consulting projects during much of the period we reviewed. Business Manager No. 2 provided OSI with a written three-page procedure for consulting contracts dated July 1, 2003. The procedure states the following:

- Contracts must be prepared and approved prior to having the contractor perform the services.
- Contracts are not to exceed one year in time length.
- Contracts for more than \$5,000 must have school board approval.
- Contracts for less than \$5,000 can be signed at the discretion of the superintendent.
- Contracts must detail the exact duties of the contractor and expected outcomes.
- A daily or hourly rate must be included in the contracts.
- All invoices received from a contractor should be initialed by the school district employee who originated the contract signifying that the work was performed.

The policies were not followed during the period we reviewed and have not been formally adopted by the school board.

Conclusions and Recommendations

The school district did not have adequate policies and procedures to manage the use of educational consultants. There was no procedure for hiring; there were, for the most part, no written contracts, no requirements for invoices with detailed descriptions of services and no system for regular review of invoices prior to payment. Overall, the school district was unprepared to engage in the widespread use of educational

consultants, and failed to develop an effective system or hire a qualified staff to manage the use of consultants during the period included in our review. Responsibility for the failures rests squarely with the school board and Superintendents Phillips and Curry.¹⁰ The deficiencies made the school district vulnerable to waste and misuse of funds. Furthermore, while fraud may happen even when stringent controls are in place, here effective controls were so lacking that it was far easier for fraud to occur as it did.

In January 2004, the school board requested an independent accounting firm to conduct an investigation of the school district's policies and procedures relating to educational consultants. The report was submitted to the president of the school board on March 15, 2004. The investigation focused on payments to seven consultants, including three of the individuals involved in the federal criminal charges filed against Curry in September 2004, the Shalom Partnership and the consultant referred to as Consultant No. 1 in our report.

We did not attempt to confirm or duplicate the work of the accounting firm. However, the following conclusions of that report are consistent with ours:

- Over the five-year period included in the [accounting firm's] review, the investigation could not determine that there were clear established policies and procedures governing the retaining and payment of educational consultants.
- There was a significant deterioration in the school district's system of retaining, monitoring and paying consultants.
- The enormous increase in grants poses an administrative challenge which, coupled with other strains on resources caused by other issues, created a volume of payment transactions never before seen by the school district's business office; the capacity of the office was exceeded; there was continued pressure to process payments timely with limited resources, and controls deteriorated.

The school board must ensure that the policies and procedures in the July 1, 2003, document presented to us by Business Manager No. 2 are implemented and followed by the staff. However, given the school district's history with consultants, we urge that prior school board approval be required for entering into all contracts with consultants, not just those for \$5,000 and over.

¹⁰ In former superintendent Phillips' response to the draft report, she stated that the above conclusion was incorrect and contrary to available evidence. We disagree with that statement. (Phillips' response and the Department of the Auditor General's comments appear on pp. 63-64 of this report.)

The school board should also immediately develop and implement comprehensive policies and procedures relating to educational consultants. Implementation of the policies should be closely monitored by the school board. Monitoring should include the full participation of the business manager and regular oversight by the school district's independent auditor.

The school district should require all educational consultants providing services to have a written agreement or contract. In addition to the July 1, 2003, procedure, as discussed above, terms and conditions of the agreements should also include:

- A listing of other payments to which consultants are entitled, including travel expenses and reimbursement for supplies.
- The time period of agreements, including start and ending dates.
- A description of information to be presented on invoices, such as details of specific services, dates and places of service, and references to required documentation, such as reports.
- The consultant's name, address, telephone number, e-mail address and federal identification number or social security number.
- A statement of required licensing and professional certifications and authorizations/waivers relating to criminal record background checks.
- A statement that agreements are contingent upon approval by the school board.
- A statement that the consultant is subject to periodic review or audit of services by school district personnel, state auditors, and/or independent auditors and that consultants must provide all requested records and documentation to auditors in a timely manner as a condition of the agreement.

The school district should review all consultants currently providing services to the school district to ensure that the services are being provided, charges are reasonable and contract requirements are met. Written agreements should be obtained for all current consultants.

The school district should appoint a full-time qualified administrator to monitor consultant services. The administrator should report to the business manager or the appropriate committee of the school board and should provide periodic reports to the school board concerning consultants and their services. Consultants' invoices should be

reviewed and approved for payment by the Business office. The grant administrator should sign off on the invoices prior to their approval. No one with a personal or financial relationship to a school district official should be hired as a consultant without full disclosure of the nature of the relationship to the school board in writing and abstention of the school district official from any role in the hiring process. The school district should also conduct a detailed review of the 20 additional consultants for which Curry was the school district official who signed off on invoices or who dealt with the individual consultant.

The School District's Response to Finding No. 1

The response stated that:

- In January of 2004, the School District retained an independent accounting firm to investigate the School District's use of educational consultants. The firm of Kuntz Lesher LLP issued a report ("Kuntz Lesher report") to the Board of School Directors on March 15, 2004.
- The School District's administrative procedures now substantially reflect the recommendations contained in the Kuntz Lesher report and, in many respects, the recommendations contained in the Auditor General's report. For example, the Board of School Directors requires a standard written contract with all educational consultants and independent contractors. The contracts are reviewed and approved by the Board of School Directors prior to the educational consultant or independent contractor providing services to the School District. The standard written contract requires that documentation be maintained to facilitate proper review and audit of the services and to evaluate the services performed by the educational consultants and independent contractors.
- Act 34 and Child Protective Services Law clearances are required from all educational consultants, independent contractors and employees prior to providing services as required by law.
- Effective November 16, 2004, the School District employed Dr. Robert Bordeaux as the federal/external funding coordinator. Dr. Bordeaux will insure that all federal, state and private grants are in compliance with applicable laws, regulations and grant requirements. As such, Dr. Bordeaux will monitor the services provided by, the payment of and the evaluation of, educational consultants and independent contractors.
- In April of 2004, the Board of School Directors created an Education Subcommittee ("Subcommittee"). Proposed contracts with educational

consultants or independent contractors, and the documentation related to the contracts, must be submitted to and recommended by the Subcommittee prior to approval by the Board of School Directors. The School District employee who is proposing the contract must appear before the Subcommittee to describe the service which is proposed, to identify the funding source and to present the evaluation tool to be used to measure the effectiveness of the services if approved. Act 34 and Child Protective Services Law clearances must be submitted to the Subcommittee. In addition, each contract with an educational consultant or independent contractor is provided to each member of the Board of School Directors in advance for review and submitted to the Board of School Directors for final approval at a regularly scheduled public Board meeting.

- Administrative procedures for the payment of invoices submitted by the educational consultants and independent contractors now require documentation to support the invoices submitted in accordance with the contracts. The documentation must include the dates of the service, a list of the participants and an evaluation of the service.
- On November 16, 2004, the Board of School Directors contracted with the Pennsylvania School Boards Association to review, analyze and recommend a complete Board policy manual which will be published on the School District's website. The School District will provide the Association with the Auditor General's final report as well as the Kuntz Leshner report. The Board of School Directors will adopt additional policies to implement fully the recommendations contained in the Kuntz Leshner report and the Auditor General's report.
- The Board of School Directors is committed to adopt a new Board policy manual. The Board policy manual will regulate a wide range of School District functions, and will include the recommendations contained in the Kuntz Leshner report and the Auditor General's report.
- The School District, and an independent accounting firm, will conduct a detailed review of the 20 additional consultants for which former Superintendent Curry was the School District official who signed off on invoices or who dealt with the individual consultant. In the event that the review uncovers improper expenditures, appropriate legal action will be initiated.

The Department of the Auditor General's Comments

The corrective actions described in the school district's response address most of the issues and concerns in the finding. We urge strongly that the school district also implement our recommendation that the school district prevent persons with personal or financial relationships with school district officials from serving as consultants without full disclosure and abstention by such officials from any role in the selection process.

FINDING NO. 2 - THE SCHOOL DISTRICT FAILED TO MANAGE THE CULTURAL TRANSLATOR PROGRAM COSTING APPROXIMATELY \$382,000 OBTAINED FROM FEDERAL GRANT FUNDS.

The Cultural Translator Program was experimental, non-traditional and controversial. Its value has been questioned by some in the school district, as well as the community. We did not review the activity from a programmatic perspective, nor do we opine on its educational and social value. Our inquiry focused on the program’s management, with which we have significant concerns. Unfortunately, issues relating to the results of the program could not be addressed because of the almost complete lack of records.

The school district paid the Shalom Partnership (the Partnership), Lancaster, PA, approximately \$421,000 for Cultural Translator services during the period from March 9, 2001, through August 5, 2003. According to the school district, the Partnership made repayments to the school district totaling \$38,821, leaving a net total paid to the Partnership of \$382,842.

The payments to the Partnership were made from approximately \$1.97 million in grant funds obtained by the school district from the United States Department of Education (USDE). On May 18, 2000, the school district submitted a grant application for funding under the USDE Effective Alternative Strategies Grant program. On July 7, 2000, the school district received confirmation that the USDE had approved the application. The Grant was titled “Effective Alternative Strategies: Reduce Suspensions and Expulsions.” The individual identified in the grant as the school district’s project director was the Supervisor of Development and Communications.¹¹ The grant funding was to cover the period August 1, 2000, through July 31, 2003.

The USDE approved the following funding for the grant:

Table No. 2 - Alternative Strategies Grant Funding

Fiscal Year (Federal)	Amount
August 1, 2000-July 31, 2001	\$656,300
August 1, 2001-July 31, 2002	659,856
August 1, 2002-July 31, 2003	655,278
TOTAL	\$1,971,434

The grant narrative submitted by the school district to USDE stated the following purposes and goals:

¹¹ The individual later served as a consultant to the school district. See Finding No. 1, p. 14 above.

This project offers research-based innovative approaches to getting at the heart of what prevents students from becoming suspended or expelled and offers students who are suspended and expelled options to continue their education.

During 1998-1999, the District issued over 3,890 suspensions, an increase from a rate of 3,775 in two years before.

We also recognize that many students simply need intensive supports and different learning options in order to obtain the academic, social and emotional achievement we expect. The Alternative Strategies Project provided these essential supports for our most at-risk students. These strategies include: Additional student and family support in navigating the school and social service system through “Cultural Translators” and a full-time home and school visitor at a pilot site.

The Grant Program Narrative further stated that the school district and its partners would implement the following strategies:

- *Work with “Cultural Translators” to help “at-risk” students and their families navigate the school and social services so that they obtain the support and skills necessary to succeed in school. Cultural Translators are drastically different than case managers. They typically will be people from different communities who have successfully navigated the system for their children who, in turn, have had successful careers in school and beyond.*
- *Cultural Translators will focus specifically on students in the transition years from middle school to high school-years in which the majority of suspensions and expulsions occur.*

The school district did not seek to renew the grant after the July 31, 2003, expiration date. As noted above, one of the primary goals of the program was to reduce the number of student suspensions and expulsions. The final grant report, dated October 30, 2003, stated that the goal had not been met; suspensions rose steadily throughout the period of the grant. The report attributed most of the growth in the suspension rate to violations of newly-adopted dress code and attendance rules. The final report also stated that there was a slight decline in expulsions during the years the grant program operated.

To implement the Cultural Translator Program, the school district entered into a contract with the Partnership on December 18, 2000. The Partnership is a registered non-for-profit corporation related to three Lancaster area churches, the Bethel AME Church, Saint Paul’s United Methodist Church and the El Redentor United Methodist Church.

The school district forwarded a \$25,000 advance to the Partnership as agreed to in the contract. A one-page document, signed by Superintendent Phillips and the Pastor of the Bethel AME Church, stated the following:

The contractor agrees to provide Cultural Translator services per the Attachment 1- Cultural Translator Job Description. Ten (10) employees of the Contractor shall furnish the consulting services.

In consideration of the Contractor performing its obligations in accordance with this contract, School District shall pay to the Contractor \$15.00 per hour for 10 translators to work regularly scheduled school days from December 18, 2000, through September 30, 2001, as per the School District of Lancaster's school calendar. The translators are to work up to eight (8) hours per day. The contractor is responsible for all payroll taxes and any fringe benefit expense.

The contract covered an eight-month period. The school district did not sign or negotiate another contract or any extension of the initial contract for services with the Partnership during the remainder of the grant period. Phillips told OSI that she did not know why additional contracts were not prepared and approved after the contract expired and that she turned the management of the contract over to Curry after it got underway. At that time, Curry was the Director of Teaching and Learning at the school district. He served in that position from September 2000 to January 2003, at which time he was named assistant superintendent; he was appointed superintendent in April 2003.

The individual identified in the USDE grant records as the school district's project director had no role in the management of the Cultural Translator Program. She told OSI that she wrote the grant proposal but did not perform any grant administrative functions and did not review grant records. She also said that she was not involved in the Cultural Translators' hiring process. She noted that, at one time, she reviewed a written log that contained the names of students and parents who participated in the program, but the information was confidential and she gave it back to the person who served as grant administrator.

The contract with the Partnership referred to a job description for Cultural Translators listing the salary as \$13.25 an hour for a 35-hour week during the 180 day standard school year and stating that the translators would report to the school district project coordinator and the Partnership Board. The contract and the job description did not contain a requirement that candidates must obtain criminal record background checks.

Phillips told OSI that she and other upper level managers at the school district saw a need for the "translators," who would bridge the communication gap between teachers and parents and children. They were to act as "go betweens" to diffuse situations and

augment understanding. She believed that the school district could not use its own staff to fill that role because the community lacked trust in the school district. Phillips said the reason for hiring the Partnership was to use people from the community who would be respected and trusted by the parents and students.

The school district's agreement with the Partnership included an after-school tutoring program at the three churches for children at neighboring schools in the school district. The charges to the school district included the Cultural Translators' services in the tutoring program.

We found no record of formal authorization for, or approval of, the grant or the agreement with the Partnership on the part of the school board. School board members told OSI that they were made aware of all grant applications and awards and were aware of the agreement with the Partnership.

The school district hired a grant administrator to manage the Cultural Translator Program in January 2001. We found no evidence that the individual had any prior experience in grant management. According to Phillips, Curry recommended that the individual be given the position. The grant administrator told OSI that:

- She had been previously employed by the Bethel AME Church since 1998, was a member of the church and listed that information on her job application and resume.
- She found out about the grant administrator position through the Bethel AME Church and was interviewed for the job by Curry and the Pastor of the church at the school district offices.
- Cultural Translators were assigned to six school district schools: King Elementary, Ross Elementary, Lincoln Middle School, Washington Elementary, Martin Elementary, and Carter & MacRae Elementary School.
- The majority of the time there were between five and ten Cultural Translators working in the schools.
- She was responsible for the after school program, scheduling tutoring, scheduling translators for the schools and dealing with the translators' needs; she reported to Curry.
- Cultural Translators sent her weekly timesheets indicating where they worked and what they did; Cultural Translators were required to keep and submit a log

of home visits and weekly activities performed with school district students; they also sent a copy of their timesheets to the Partnership.

- She received a biweekly invoice for Cultural Translators' hours (printed on Bethel AME Church letterhead) from the Partnership; the school district's checks were made payable to the Partnership.
- Invoices listed only the total hours that the Partnership charged the school district and the specific two-week time period; the invoices did not list the Cultural Translators' names, schools where they worked or their specific activities.
- She reconciled invoices with the timesheets received from the Cultural Translators and make sure the billings were for the correct amount; after she reconciled invoices, she usually signed and sent them to the school district business office for processing.
- The Cultural Translators indicated on their timesheets if they performed any after-school tutoring functions for the Partnership; the hours would also be billed directly to the school district as Cultural Translators' hours.

The grant administrator told OSI that, when the grant ended in July 2003, she was laid off from her employment with the school district and, in September 2003, she removed all of the records and documentation associated with the Cultural Translator Program from the school district. She stated that she took the documents home and that "there were a lot of boxes"; no one at the school district ever asked her for the records; and she kept the records in her home until January or February 2004 when she disposed of them by tearing them up and putting them in the trash.

She also said that she was notified by someone at the Partnership that the Partnership had gotten rid of all of the timesheets submitted by the Cultural Translators that were in its possession.

Thus, the documentation essential to verifying the work of the Cultural Translators is no longer available.

The grant administrator, as of August 2004, was working as a student family health counselor in a middle school at the school district. According to her, she is employed by an outside contractor.

To obtain confirmation that the Cultural Translators had provided the services paid for by the school district, OSI contacted the schools where they reportedly worked. We spoke with six school district elementary and middle school administrators. They said

that they had seen or worked with a total of five Cultural Translators during the grant period. They stated that the Translators hours varied, e.g., from 7:00 a.m. to 3:00 p.m. or 9:00 a.m. to 2:00 p.m. and sometimes included after school hours. There did not appear to be any set period of hours for the Translators to work; they did not have to sign in at the schools or report their time and activities to any school staff member. Several school district administrators stated that some of the Cultural Translators also billed the school district for work in the Partnership's after-school program held from 5:00 p.m. to 8:00 p.m. at the churches that were members of the Partnership.

One elementary school principal stated she had problems with the Cultural Translator's Program. She stated that she did not need someone acting as a liaison between her and the children's parents and, if there was a problem, she wanted to deal with the parents directly; she did not feel comfortable with the tutoring program because the school district was not running it; she had no assurances that the program was being monitored, whether tutors were qualified, or if tutors were aware of the school district curriculum that should be taught; and she did not agree with the policy of giving Cultural Translators access to student files and information when they were not school district employees. The principal stated that, during the summer of 2001, she informed the School Board and Curry that she did not want the Cultural Translators in her school any longer. She stated that she had a meeting with Curry, the grant administrator, and the Pastor of the Bethel AME Church; they informed her that she had to take the Cultural Translators back into her school and use them. She refused and did not have any Cultural Translators in her school after the fall of 2001.

The grant administrator gave OSI a list of eight names and addresses of persons who she stated had been Cultural Translators for the school district. We interviewed two of them. The remaining six could either not be located or failed to return our telephone calls.

One of the two we interviewed said that she worked at Martin Elementary School from 8:30 a.m. to 3:30 p.m. during the 2002 and 2003 school years; she did not participate in the after-school program. She stated that her salary was \$12 an hour and she was paid by the Bethel AME Church.¹² She was interviewed for the job by the grant administrator and the Pastor of the El Redentor United Methodist Church (one of the churches in the Partnership).

The second Cultural Translator we interviewed stated that she thought the entire program was a sham; she was promised a raise and benefits but never received them; she was officially assigned to work at Reynolds Middle School, but, in reality, worked at the Carter & MacRae School. According to her, the grant administrator told her that if

¹² The agreement between the school district and the Partnership called for the Cultural Translators to be paid \$13.25 per hour.

anyone asked her where she works, she was to say at the Reynolds School. She stated that she received a W-2 tax form from the Partnership at the end of the year; she participated in evening tutoring at the St Paul's Methodist Church; and that time was added to her total time billed to the school district. She stated that she believed some of the Cultural Translators did not work the hours they claimed.

The school district had no records of the names or addresses of the Cultural Translators. The school district is subject to requirements of state law relating to requirements for criminal record background checks and child abuse record checks of its employees and others who come in contact with children in the school district's facilities.¹³ We found no evidence that criminal record background checks were conducted for the Cultural Translators.

The March 15, 2004, report by the accounting firm hired by the school district to investigate payments to educational consultants concluded the following statement in regard to the Cultural Translators:

We also interviewed several individuals throughout the district regarding the work performed by the Cultural Translators. Individuals had conflicting opinions and recollections of the specific services provided and we were unable to reach a final determination of what level of work was provided by the Cultural Translators. We were able to verify that Cultural Translators were present in the district during the three-year period. However, we are unable to reach definite conclusions as to the level of work performed or the total hours worked by the Cultural Translators.

The accounting firm's report also stated that dates, locations and identities of individuals the Cultural Translators consulted with in the school district could not be verified because invoices were not detailed and timesheets were discarded.

Based on available school district records, the school district paid \$421,663 for Cultural Translator services. The following schedule lists the amounts paid to the Partnership.

¹³ The applicable statutes are the Public School Code, 24 P.S. § 1-111 (employees of public and private schools, including contractors require criminal record background checks) and the Child Protective Services Law, 23 Pa. C.S.A. § 6394 (School employees, including employees of independent contractors, require child abuse record checks).

Table No. 3 - Hours Billed And Payments To The Shalom Partnership¹⁴

Year Ended	Hours	Amount Paid
June 30, 2001	3,620	\$79,310.50
June 30, 2002	16,395	\$238,665.00
June 30, 2003	6,913	\$103,658.00
TOTAL	26,928	\$421,633.50

The Partnership repaid a portion of the money it received. According to school district records and Business Manager No. 2, the school district received a check from the Partnership, dated May 5, 2004, for \$26,821 and a spread sheet that contained figures showing that the school district had been overbilled for cultural translator services by 921.4 hours, totaling \$13,821. According to Business Manager No. 2, the remainder of the check payment (\$13,000) was a portion of the \$25,000 advance paid by the school district to the Partnership in 2001. (According to the agreement between the school district and the Partnership, the advance was to be deducted from the Partnership’s final invoice to the school district.) According to Business Manager No. 2, the Partnership repaid the school district for the balance of the advance (\$12,000). Thus, according to the school district, \$38,821 of the total paid to the Partnership has been repaid. With the exception of the May 5, 2004, check, we did not obtain records to verify the repayments. Based on the most recent information provided to us, the school district and the Partnership have not reached an agreement on whether the school district has been repaid in full.

Business Manager No. 2 told OSI that she requested a specific accounting and documentation of hours billed and corrections from the Partnership. According to her, the Partnership refused to give her any additional information about the corrections.

The Pastor of the Bethel AME Church told OSI that:

- The idea for the Cultural Translator Program originated in connection with a visit Phillips and he made to Harrisburg High School to observe the use of a church-sponsored after-school program for students and was developed by Phillips, himself and other community leaders.
- Later, Phillips told him that she had obtained funding for the program; after it was approved by the school district, he, Phillips, two school consultants and

¹⁴ The total hours and the total amount paid cannot be reconciled to the amount that would have been paid based on the contract hourly rate. This was apparently due to billing discrepancies and the handling of the \$25,000 advance as discussed below.

members of the three churches that made up the Partnership discussed the details.

- He removed himself from the decision to select the grant administrator.
- The Cultural Translator Program and the after-school program were the same programs and were intended to run throughout the year; not all of the Cultural Translators provided after-school tutoring services.
- In order for the program to work, a lot of interaction between the school district and the Cultural Translators was required; this did not occur because Phillips stepped away from the program; the Partnership had no other involvement with the Cultural Translator Program other than to act as a third-party intermediary to pay the Translators.¹⁵
- He had no involvement in hiring Cultural Translators; did not know who interviewed them on behalf of the school district; and he and the Partnership did not maintain records concerning the Cultural Translators. According to him, monitoring and tracking of the Translators was the responsibility of the grant administrator.
- He had no idea why the grant administrator took the Cultural Translator Program records with her when she left the job and he blamed the school district for failing to audit the records and ensure that they were maintained.

A certified public accountant who provides accounting services for the Partnership told OSI that he prepared papers related to the overpayments to the Partnership by the school district. He said he did not maintain the records, had “spot checked” some Cultural Translators’ timesheets and about 50 invoices but did not review all of them. He said that, at one point, there were 12 Cultural Translators who submitted weekly timesheets.

The school district filed a final Grant Performance Report on October 10, 2003. It was signed by then-Superintendent Curry. The report states:

Ten Cultural Translators were hired in the spring of Year 1: they served approximately 120 students and families during the remainder of the year. In Years 2 and 3 the Cultural Translators worked with

¹⁵ This statement raises a question concerning the reasonableness of the school district’s agreement to pay the Partnership (\$1.75 an hour per each Cultural Translator). It does not appear that the Partnership performed any services other than receiving and issuing checks.

approximately 700 families each year, providing a range of supports including facilitating parent-teacher meetings

The Cultural Translators were supposed to prepare a visitation sheet for each family visit and submit it to the grant administrator. Based on the statement in the Final Audit Performance Report, the Cultural Translators would have submitted over 1500 visitation forms in addition to their weekly timesheets. The school district has none of these forms in its records.

Without the above records, OSI can not verify a single hour of the approximately 27,000 hours billed to the school district for the Cultural Translators. *Furthermore, we question how the school district obtained the data included in the Final Grant Performance Report when the grant administrator stated that she removed all of the records on September 1, 2003. The Report, signed by Superintendent Curry, was sent to the U.S. Department of Education on October 30, 2003.*

Conclusions and Recommendations

The school district mismanaged the Cultural Translator's Program and, as part of that failure, violated requirements of the USDE grant through which the program was funded. Based on the information summarized above, the mismanagement had several components:

1. Questionable selection of the grant administrator

The school district hired a manager for the program who had been an employee of one of the three entities that comprised the organization (the Partnership) providing the services. The grant administrator's job was to assure that the Cultural Translator's work was properly completed, and that the invoices were correct and represented actual work performed. This position should not have been filled with an individual who had ties to the vendor and, in addition, lacked any experience in managing grants. Furthermore, there does not appear to have been any significant interaction or communication between the grant administrator and the school district's staff in regard to the operation of the day-to-day program. The Cultural Translator Program and its administrator were both nominally in the school district, but were not really part of it.

2. The absence of a mechanism or structure for effective monitoring of the program.

The grant administrator was responsible for receiving and reviewing reports and invoices. She had no regular contact with the Cultural Translators on the job or with the officials at the school where they were assigned. Additionally, there seems to have been no monitoring by the school district of the Cultural Translators' time or hours in the

evening or after-school part of the program. *From the available information obtained from interviews, it is questionable whether all of the Cultural Translators actually provided all of the hours of service for which they, and the Partnership, were paid.*

3. Failure to retain records

If the grant administrator's statements are correct, the school district allowed her to remove original records from the school district offices without question. Furthermore, according to her, no one at the school district ever asked her for the records.

The records should have included timesheets, visitation reports, itineraries, weekly schedules and reports of student meetings. Using the numbers given to us, the Cultural Translators should have produced 52 separate timesheets for the two years and four months they worked at the school district, or a total of at least 1,200 timesheets. The school district does not have a single one.

The grant administrator's explanation for the removal and destruction of the records is suspect. It appears that the records were removed intentionally to cover up mismanagement and questionable charges, or that their removal was the result of gross negligence. In either case, there was a breach of duty by Curry, as the superintendent, and a failure by the school board to adequately oversee the administration of the program. It is also questionable whether the former grant administrator's continuing involvement in school district activities is appropriate, even as a contractor's employee.

In connection with the grant application, the school district submitted a certification to USDE, signed by Superintendent Phillips, which, among other things, stated that the school district had "the institutional, managerial, and financial capability...to ensure proper planning, management and completion of the project..." and would give the awarding agency and, if appropriate, the State, access to all records, books, papers or documents relating to the award. By failing to take reasonable steps to retain records so that they would be available for review, the school district failed to ensure that it met the commitment stated in the certification.

Finally, by allowing the removal of records and failing to take reasonable steps to secure them, the school district appears to have failed to comply with federal requirements related to retention of grant records.¹⁶

¹⁶ The General Education Provision Act, as amended, 20 U.S.C. § 1232f, states that recipients of grant funds under any applicable program shall keep records which fully disclose the amount and disposition of the funds, the total cost of the activity for which the funds are used and "...such other records as will facilitate an effective financial or programmatic audit" for three years after the completion of the activity. Record retention requirements for federal education grant recipients are also stated in USDE regulations. 34 CFR (Code of Federal Regulations) §§ 75.73 and 74.53. The grant notification sent to the school district by the U.S. Department of Education, dated August 2, 2000, stated that the school district must adhere to the CFR requirements for retention of records.

4. No record of the Cultural Translators' qualifications or criminal background checks

The school district does not have records of the identities of the Cultural Translators and there is no record that criminal record background or child abuse record checks were conducted. As a result, there is no way to verify whether the school district complied with the applicable requirements of the Public School Code and other state laws. There is also no documentation or other evidence that the Cultural Translators met the qualifications set out in the narrative submitted by the school district as part of its application for the grant. ("The Cultural Translators will be people from the different communities in Lancaster City who have worked with the school district or who have raised children who have been successful in the district and who have established relationships with community members in their area. They will have high emotional intelligence skills in order to bridge the gap between families, schools and outside agencies.")¹⁷

* * *

Overall, the school district failed to select an appropriate and qualified individual to manage the Cultural Translator's Program, failed to ensure accountability and proper oversight of the qualifications, work performed and hours billed for the Cultural Translators services and failed to maintain program records. As a result, expenditures cannot be verified, the effectiveness of the program cannot be measured and its value and benefits to the school district, students and taxpayers are questionable.

Included in the school district's certification to USDE in connection with the grant application is the statement that the school district would establish a proper accounting system in accordance with generally accepted accounting principles. A proper accounting system includes a process to review billings and adequate record retention. The school district failed to have either in this case.

While there is conflicting evidence of the Cultural Translators Program's effectiveness, we have no basis to draw conclusions concerning the substantive benefits of the program to the school district.¹⁸ Unfortunately, the failure to implement and

¹⁷ See the school district's Application for Federal Education Assistance, May 18, 2000, Program Narrative, at p. 20.

¹⁸ The school district's records do not contain a statement of the program's effectiveness. In the school district's Annual Grant Performance Report filed on May 29, 2001, there is a statement that a formal evaluation of the program was being planned and that it would include an assessment system for the cultural translator component of the federal grant to provide qualitative analysis of the role of the translators. The report also stated that, based on the success of the Cultural Translators program, the school district would use the findings for potential articles for education and other trade journals. We found no record that the evaluation was ever completed by the school district.

operate the program properly prevented a fair assessment of it, appears to have contributed to a loss of the school district's credibility and increased mistrust and cynicism on the part of some in the community regarding the value of such programs.

Responsibility for the failure rests squarely with the school board. It exercised no effective control over any aspect of the administration of the grant or the Cultural Translator's Program. Responsibility also rests with Superintendent Phillips, who failed to take adequate steps to provide competent day-to-day management of the program she was instrumental in creating. As was the case with the management of educational consultants generally (See Finding No. 1), the school board and the superintendent failed to ensure that the school district had the appropriate qualified staff to provide effective financial management of the program.

Curry also shares some of the responsibility for the management failure. His role in the questionable final report to USDE, as well as the failure to ensure the retention of the program's records, which occurred while he was superintendent, should be the subject of further inquiry by USDE and the school district.

A copy of this report is being sent to the USDE Office of Inspector General and the U.S. Department of Justice for review to determine the school district's compliance with grant conditions and requirements, if false or misleading information was presented in the school district's Final Grant Performance Report, and if further action is warranted to recover grant funds, or take other steps in connection with the grant.

We recommend that the school district:

- Obtain from the Partnership and other parties, including former superintendent Curry and law enforcement agencies, all records and other information concerning billings and charges for Cultural Translators, including timesheets, pay records, and names, addresses and background materials for all Cultural Translators, to determine whether there is a reasonable basis for all charges, and seek reimbursement of all improper or undocumented charges.
- Adopt and enforce a policy that all persons performing services for the school district who may come into contact with students, including employees of a contractor, vendor and non-profit agencies, volunteers, consultants and temporary employees, obtain an up-to-date criminal record background check from the Pennsylvania State Police and all other background checks required by law.
- Review the appropriateness of the former grant administrator's continued involvement in school district activities in any capacity, including as a contract employee.

The School District's Response to Finding No. 2

The response stated that:

- The School District has discontinued the cultural translator program. The School District has no contractual relationship with the Shalom Partnership.
- The School District administration and the Board of School Directors will review the appropriateness of the former Shalom Partnership grant administrator's continued service as an employee of an independent contractor who has a contractual relationship with the School District.
- The School District will seek to obtain from the Shalom Partnership and other parties including former Superintendent Curry and law enforcement agencies, all records and other information concerning billings and charges for cultural translators, including timesheets, pay records and the names, addresses and background materials for all cultural translators. The School District, in consultation with its solicitor, will determine whether there is a reasonable basis for the charges, and will seek, if appropriate, reimbursement of all improper or undocumented charges.

The Department of the Auditor General's Comments

We are pleased that the school district has adopted, or will adopt, our recommendations relating to Finding No. 2.

FINDING NO. 3 – THE SCHOOL DISTRICT FAILED TO MANAGE THE USE OF CREDIT CARDS.

Initiation of credit card use by the school district

The school district began using credit cards in 2000. The individual who was the business manager during 1999 (Business Manager No. 1) told OSI that, in that year, he conducted a study comparing the use of credit cards to the cost of processing a payment through the school district's existing purchasing system.¹⁹ According to him, the study showed that it cost the school district approximately \$25.60 to \$69.15 to process each regular transaction. Therefore, he recommended that the school district begin to use credit cards for what he termed "basic" transactions.

He told OSI that the use of credit cards was to be heavily restricted, with daily expenditure limits, maximums and specific codes to prevent cards from being used for inappropriate purchases or purchases from non-approved vendors. He also stated that he prepared written policies and procedures for the use and reconciliation of the cards and provided OSI with a copy of them. According to him, the procedures stated that the cards (referred to as Purchasing Cards), were for use "for selected local vendors in an effort to reduce the costs of processing for small purchases." The copy of the written procedures Business Manager No. 1 provided to OSI are dated February 3, 1999. The school district was not able to provide OSI with a copy of those procedures.

Business Manager No. 2 told OSI that credit cards were assigned to each school district building and sent to the building principals, who were responsible for the use of the cards. Cards were to be used for purchases of supplies such as paper, pens, pencils and printer cartridges and would allow principals to purchase supplies and other emergency items without having to go through the school district's regular purchasing process.

Former Superintendent Phillips and Business Manager No. 2 both stated to OSI that a study by Business Manager No. 1 showed that use of credit cards would result in substantial cost savings to the school district. Phillips told OSI that credit cards were to be used for purchases of supplies, but she believed they also could be used for travel expenses.

The school district used credit cards issued by First Union Bank in 2000 until February 2004, shortly after we began to examine their use as part of this investigation.

¹⁹ The individual served as business manager from 1996 to March 2003. He is no longer employed by the school district.

Types of purchases

OSI conducted an analysis of credit card use during the calendar year January 1, 2003 to December 31, 2003. During that time, the school district had 39 credit cards; they were used for 4,035 transactions totaling \$419,971.62. *We found that the credit cards were used for other categories in addition to school supplies, particularly for food, hotels and transportation, as shown in Table No. 2. Furthermore, within the “other” category shown in Table No. 4 were purchases, totaling approximately \$18,125, that appeared to be questionable based on the identity of the vendor, e.g., a karate facility, or a shoe store, and/or the absence of documentation identifying the purchases as items that could reasonably be considered school supplies.*

Table No. 4 - Credit Card Transaction Types By Category,
January 1, 2003 To December 31, 2003

Category	Number of Transactions	Amount
Office Supplies	1,077	\$124,896.87
Food	642	\$41,505.43
Newspaper subscriptions, books, and professional organizations	452	\$52,306.41
Hotels	115	\$18,614.38
Other	1,678	\$176,295.71
Travel includes gasoline, rental cars, trains and airfare	71	\$6,352.82
Total	4,035	\$419,971.62

Procedure for credit card use

In February 2004, the school district gave us a school district credit card policy dated July 2003. The policy contained different procedures than the ones provided by Business Manager No. 1. The July 2003 policy stated that purchases could not exceed \$500 per transaction or \$2,500 per month, prohibited “split” purchases and stated that credit cards should not be used to purchase meals at conferences. It does not appear that the controls were fully or effectively implemented. For example, approximately \$15,463 was spent on food, via credit card purchases, from August 1, 2003, to December 31, 2003.

We also found no evidence that any credit card policy was approved by the school board. In interviews with several school district credit card users, all stated that they were either not aware of any policies or had never seen them in writing.

Through interviews with the credit card users, OSI was able to determine that there was an unwritten policy for credit card use and record keeping: Credit cards had a preset spending limit of \$500 per transaction. (However, purchases, in some cases, were split into multiples of \$500 each.) Cards were assigned to each school building or school office and contained the name of the building or office on the card instead of the name of a person. The person in charge of the card was usually the school principal or another senior person at the school building. Practices related to authorization for use, security, and documentation of card use varied among school buildings. Cards were kept in the desk of the principal's administrative assistant or were in the possession of the individual in charge of the card.

The school district used a primarily manual procedure for reconciliation and scheduling of credit card transactions:

At the end of each month, a monthly card use schedule was to be completed for each card. A schedule, known as a purchasing log, was to be filled out by hand, listing each transaction, who had made it, when, what was purchased, the amount and the school district twenty-one digit cost code. Charge slips or invoices had to be attached to the schedule. Purchasing log schedules would then be sent to the business office, where an accountant would review them, determine if all of the invoices were included and enter, by hand, each transaction into the school district's accounting system. *For 2003, this meant that 4,035 separate transactions had to be reviewed and coded into the system. Therefore, it does not appear likely that the school district actually reduced the costs of processing transactions significantly through the use of credit cards.*

Weak oversight

The oversight process was cumbersome, slow and limited in its effectiveness. Business Manager No. 2 reviewed charges brought to her attention by the business office employee who reviewed credit card purchasing schedules. If a charge was considered questionable, a letter was sent out to the cardholder asking for additional information or warning the cardholder not to make the same type of purchase again.

Business Manager No. 2 provided OSI with 15 warning letters that were sent to cardholders during 2003. The majority of the letters concerned payments for professional dues or split purchases. The review process was reactive, rather than proactive; warning letters were sent out two months after the expenditures were made; and the school board and the superintendent were not sent copies of the letters.

Misuse of credit cards

We judgmentally selected several credit cards for detailed testing. The testing disclosed that several upper level school district staff used the credit cards inappropriately, as follows:

a) Ricardo Curry

Curry was hired in September 2000 as the Director of the Office of Teaching and Learning. On April 16, 2003, he was appointed superintendent. He resigned in January 2004. OSI reviewed all of the credit card activity for cards that Curry had access to while employed at the school district.

Our review found that Curry made inappropriate purchases with the school district credit card costing approximately \$11,910. The purchases included payments for hotels, supplies, gift certificates, cellular telephone equipment and food. The total constituted about one-sixth of the total amount of purchases (\$63,575) made with credit cards available for use by Curry between January 2001 and January 2004.

The questioned payments to hotels are listed in Table No. 5 below, showing dates, amounts and other information obtained from invoices.

Table No. 5 – Curry’s Hotel Credit Card Charges

Transaction Date	Amount	Description Per Invoices
1/20/03	\$144.25	The Eden Inn Resort, Lancaster, check-in: 4:00 p.m. Sunday, January 19, 2003; check-out: 1:00 p.m. Monday, January 20, 2003. (Monday was a school holiday.)
1/23/03	\$122.05	The Eden Inn Resort, Lancaster, check-in 11:50 p.m. Tuesday, January 21, 2003; check-out: 11:00 a.m. Wednesday, January 22, 2003.
2/2/03	\$110.95	No receipt or documentation for this purchase, charge is listed as a Lancaster area hotel.
2/9/03	\$273.35	The Eden Inn Resort, Lancaster, check-in: 11:58 p.m. Thursday, February 6, 2003; check-out: 12:27 p.m. Saturday, February 8, 2003.
2/15/03	\$110.95	The Eden Inn Resort, Lancaster, check-in: 10:44 p.m. Friday, February 14, 2003; check-out: 11:00 a.m. Saturday, February 15, 2003.
2/27/03	\$221.90	The Eden Inn Resort, Lancaster, check-in: Monday, February 24, 2003; check-out: 11:00 a.m. Wednesday, February 26, 2003.
3/1/03	\$131.28	The Eden Inn Resort, Lancaster, check-in: 7:56 p.m. Thursday, February 27, 2003; check-out: 11:00 a.m. Friday, February 28, 2003.
4/26/03	\$85.50	The Studio Plus Motel, Philadelphia, check-in: Friday, April 25, 2003; check-out: Saturday, April 26, 2003.
6/8/03	\$180.12	The Hampton Inn, Philadelphia, check-in: 2:39 a.m. Saturday, June 7, 2003; check-out: Sunday, June 8, 2003.
Total	\$1380.35²⁰	

The hotels were in the Lancaster or Philadelphia areas. During the period, Curry’s residence was in Yeadon, PA, approximately 79 miles from the school district offices. Curry’s school district employment contracts as Director of Teaching and Learning, and later as superintendent, did not contain authorizations for those hotel charges. Curry was not on business-related travel at the times of these charges; Business Manager No. 2 had no information concerning the purpose; school board members told OSI they were not aware of the expenditures.

²⁰ The amount that appeared in the draft summary report was \$1,392.45. The new total reflects an adjustment of \$12.10 in the amount shown for the 1/23/03 entry.

Meals

Curry used the school district credit card for 67 purchases of meals, the majority at facilities in the Lancaster area. One of the charges from the Stockyard Inn, Lancaster, on June 17, 2003, was for \$1,819.73. School district staff members stated that this may have been when Curry took the administration staff out for dinner to “reward” them for their work. The school district did not maintain any records of the purchase.

Another charge was \$129.04 for a meal with Phillips on December 2, 2003. Phillips told OSI it was a business meeting between Curry and herself that took place while she was Secretary of Education. She stated that she was not aware that Curry paid for the meal with the school district credit card.

None of the charges appear to have been questioned by Business Manager No. 2. Board members told OSI that they were not aware that Curry purchased meals with the school district’s credit card. Curry’s employment contract with the school district did not authorize purchases of meals unrelated to travel.

Other questionable charges

Curry purchased gift certificates for \$1,740 at the office of a mall in the Lancaster area. The certificates could be used at any of the mall’s stores. The school district did not have any information concerning the purpose of the purchases or recipients of the certificates. The mall management could not trace the certificates; it cannot be determined whether or not the certificates were redeemed and, if so, by whom.

In July 2003, Curry purchased a computer printer and accessories for himself for \$269.99 using a school district credit card. He kept the printer in his home. When Curry resigned in January 2004, the business manager stated she sent him a letter asking for the printer or payment for the purchase. On March 20, 2004, Curry sent the school district a \$269.99 check for the printer. This appears to be the only item for which Curry repaid the district. We found no record that warning letters, such as the ones sent to principals for credit card misuse, were sent to Curry or that the school board was ever informed of his questionable credit card use while he was employed by the school district.

Due to the federal criminal investigation of Curry, we were unable to interview him as part of our inquiry.

b) The Director of Communications

The Director of Communications was employed by the school district from October 1998 to February 2003.²¹ In 2000, he received a credit card assigned to the school district's Office of Communications. He was the individual responsible for the card. We found that he charged \$6,725 to the credit card for inappropriate purchases, or for purchases for his personal use and benefit, from January 2001 through January 2003 and reimbursed the school district for only a portion of them (\$544.10). The transactions are listed in Table No. 6.

Table No. 6 - Inappropriate Credit Card Charges By The Director Of Communications, 2001-2003

Description	Amount
Hotel	\$4,058.84
Personal trip to Los Angeles	174.52
Meals	1,181.82
Gas for personal vehicle	163.58
Personal music	213.85
Purchases at vendors near his home	932.36
Total	\$6,724.97

Hotels

During his employment with the school district, the Director of Communications resided in Wayne, PA, approximately 52 miles from the school district building where he worked. His travel time from home to work by car would have been approximately one hour.

During the period January 23, 2001, through February 7, 2003, the Director of Communications stayed overnight in hotels in the Lancaster city area on 47 occasions and charged the costs to a school district credit card. He told OSI that he needed to stay overnight in Lancaster to attend school board meetings, business dinners and after-work functions that caused him to stay late and that Superintendent Phillips approved of his charging the costs to a school district credit card.

Costs of these hotels were not authorized in the Director of Communications' employment contract with the school district. We found no evidence that the school board authorized or approved the practice.

²¹ From February 2003 to July 2004, he was the Director of Communications for the Pennsylvania Department of Education.

Six of these hotel stays were on Friday nights. The Director of Communications told OSI they were for school district management retreats at which the “upper management team” would get together. Superintendent Phillips stated that she was aware of the Director of Communications’ overnight stays in Lancaster. She told OSI that some of those overnight stays were justified, e.g., during a crisis involving one of the schools. She also told OSI that Business Manager No. 2 approached her and informed her that the Director of Communications was staying overnight frequently. According to Phillips in her response to the draft report, she told the investigators that she specifically asked the business manager to review the hotel stays with the Director of Communications and authorized her to request repayment if the need for the stay was not sufficiently related to school district work. According to Phillips, she also informed the Director of Communications that the business manager would be contacting him and that every stay should be carefully examined and repayment made where warranted.²² The statements of these individuals (Phillips, the business manager and the Director of Communications) relating to what Phillips told them in regard to this matter are not consistent. In any case, we cannot confirm that Phillips asked the Director of Communications to stop the practice or to repay the school district for any of the stays, and the stays were not reported to the school board.

On January 21 and 22, 2003, the Director of Communications used the school district credit card to stay at a hotel in Harrisburg to attend the Governor’s inauguration. He also used the card to purchase a \$25 breakfast. In March 2003, he was sent a warning letter by the business manager requesting that he repay the school district for the expense. He wrote a personal check to the school district on March 5, 2003 for \$243.50.

Personal trip to Los Angeles

The Director of Communications stated that he put three charges on the school district credit card while he was on a vacation trip in Beverly Hills, California in August 2002, totaling \$174.52. He told OSI that his daughter won a free vacation to Beverly Hills and, when they checked into the hotel, he was asked to use a credit card to cover incidental expenses; he only had a debit card with him, so he used the school district credit card. He also used the card to charge a \$52 taxi ride and a \$48 lunch for which he repaid the school district. He did not repay the school district for the remainder of the charges (\$74.52) for long distance internet connections and mini bar use. He told OSI that he needed the internet connections, but could not recall the specific reason for it. He told OSI that he would offer to repay the \$74.52 to the school district.

²² Phillips’ complete response is presented on pp. 63-64.

Meals

From January 24, 2001, through January 24, 2003, the Director of Communications used the school district credit card to purchase 29 meals totaling \$1,181.82. Ten of the meals were purchased while on travel and the remaining 19 were purchased in the Lancaster area. He told OSI that he had the authority to decide when to buy meals for himself, school district staff and guests. The meal charges ranged from \$7.37 to \$133.00. The locations included facilities in the Lancaster area, as well as other places. Three of the meals the Director of Communications purchased coincided with his overnight stays in the Lancaster area. He also purchased an \$83 lunch in Juarez, Mexico. He stated that he did this when he traveled to El Paso at the request of Superintendent Phillips to observe the El Paso school district. (Phillips told OSI that she sent him to El Paso to talk with the staff of the schools there concerning ways to sell new educational programs to the community.) The purchases also included five meals totaling \$281.83 for the Director of Communications and Phillips while they were on travel to San Diego.

Superintendent Phillips told OSI that she was not aware of the Director of Communications' meal purchases.

The Director of Communications told OSI that the management belief at the school district was that, if people worked hard and put out extra effort, it was all right to buy them lunch or dinner "on the district." He stated that they "just wanted to treat people like human beings" and "this is done in corporate America all of the time."

Credit card statements listing the expenditures that were given to OSI by the Director of Communications only included restaurant receipts. The statements did not contain detailed information concerning the purpose of the charge or the identity of persons whose meals were included in the charge. These meals were not reported in accordance with the school district travel policies. Therefore, it cannot be verified that the charges were related to school district business.

The Director of Communications told OSI he was not aware that there was any policy at the school district concerning purchases of meals with the credit card. He stated that he never received any letters or other guidance from the school district business office concerning standard meal reimbursement rates for meals while on travel in connection with school district business and that he was under the impression that, as long as you provided the meal receipt when you turned in the monthly credit card statement, it was "okay."

Gas for personal vehicle

The Director of Communications used the school district credit card to make 10 purchases of gas for his personal vehicle totaling \$163.58. He repaid the school district

\$125.62 for seven of these purchases. The invoices submitted with the credit cards did not include any reason for the use of the credit card to pay for the purchases. The school district was not reimbursed for costs of the three other purchases (totaling \$37.96).

Personal music compact disks

The Director of Communications operated a music business, known as Pierce Entertainment Company, West Grove, PA, in addition to his employment with the school district. The business includes providing disk jockey services and live vocal entertainment. The Director of Communications’ personal website states that he and his band provide vocal renditions of songs by several popular musicians.

The Director of Communications made five separate purchases of music compact disks with the school district credit card totaling \$213.85, as listed in Table No. 7:

Table No. 7 – Credit Card Purchases Of Compact Disks

Vendor	Amount	Title
Tower Records	\$44.50	Sybersound Party Time Karaoke No.1 and No. 2
Sam Ash Music	\$31.78	Elton John’s 34 Songs for Karaoke
Music Den	\$26.48	Title unknown
Karaoke.com	\$35.31	Karaoke recording titled Ultimate Pop Hits
Karaoke.com	\$75.78	Karaoke recordings titled Celion Dion, Pop Hits 2001, Awesome 80’s, Best Duets III.
TOTAL	\$213.85	

He told OSI that he purchased the disks to add music to his presentations and that Superintendent Phillips liked to have music in all of her presentations and programs.²³ He stated that he had an account with Karaoke.com for his music business and used his home mailing address for the purchases because he often worked on his presentations at his home.

He stated that he retained the disks for his personal use, but not intentionally. He offered to pay the school district for the value of the disks. Many of the disks purchased with the school district credit card included those by music and/or musicians listed on the Director of Communications’ personal business website.

Purchases at vendors near his home

The Director of Communications made purchases with the school district credit card at vendors located near his home on nights and weekends. The purchases included:

²³ In Phillips’ interview with OSI, she said that she used music in her presentations.

- An August 23, 2002, purchase of a Leximark inkjet printer from Staples for \$238.39.
- A June 21, 2001, purchase of a computer bag for \$108.09.

The Director of Communications told OSI that he purchased the printer and accessories with the school district credit card, put it in his house and still has possession of it. He said that, until OSI informed him of the purchase, he believed that he had bought the printer with his own credit card. He offered to repay the school district for the printer. He also stated that he has a computer bag in his possession that he purchased with the school district credit card; he did not know it cost over \$100 and offered to repay the school district for the bag.

Other miscellaneous purchases included blank cassettes, audio and compact disks, picture frames, a toner cartridge and office supplies, totaling approximately \$585.88.

We could not determine whether the miscellaneous purchases made with school district credit cards were used for school district or for personal business. The Director of Communications told OSI that he purchased a large number of recordable compact disks and blank audiotapes and used them for making presentations and radio advertisements as part of his employment with the school district.

He also said that, each year, he and his family made a music disk that they would send to friends and family. The disk included music and pictures of his family.²⁴ The Director of Communications stated that he never had his staff at the school district do any work for his music business. The Director of Communications told OSI that one year, his home computer was broken, he was copying his Christmas disks at work and his secretary offered to do it. He stated that he never told his secretary or assistant to do any of this, they did it on their own. The Director of Communications insisted that not many copies were made at work.

The Director of Communications' Administrative Assistant and the Assistant Director of Communications told OSI that the Director of Communications had them copy his Christmas disk at work one year. They said it took them several days to complete the project.

We found that a warning letter, such as those the business manager sent to school principals for credit card misuse, was sent to the Director of Communications on only one occasion.

²⁴ Phillips told OSI that one year, she received a Christmas disk from the Director of Communications.

c) The McCaskey High School principal

The individual was employed by the school district from July 1, 2001, through July 1, 2003, as principal of the McCaskey High School. A review of the charges made on the school district credit card assigned to the McCaskey High School disclosed a total of \$3,873.42 in questionable charges by the principal: 16 meals totaling \$2,505.10; and three Palm Pilots and cellular telephones at a cost of \$1,368.32. The principal reimbursed the school district \$210 for part of the meal charges.

One of the meals was a dinner on Friday, January 18, 2002, at a Philadelphia restaurant, totaling \$877.10. The principal told OSI that Superintendent Phillips sent him to Philadelphia for the purpose of taking several school district staff members out to dinner following a seminar they attended. The principal said that he had his son and daughter-in-law and several other people join them. He admitted that he did “screw up,” the bill was excessive and, that he notified the business manager about it. He stated that he paid the school district a total of \$210 for his son, daughter-in-law and two other individuals. OSI confirmed that the school district received the payments. The school district has no records to provide justification for the rest of the \$667.10 expenditure.

Phillips told OSI that she sent the principal to Philadelphia to meet with school district staff who were attending a conference. She stated that she expected him to buy a meal for the staff, but within the normal travel policy. She stated that she did not tell the principal to buy the staff a \$900 dinner.

Another questionable charge was a restaurant bill on April 2, 2001, totaling \$115.93. The principal told OSI that this was a recruiting dinner attended by himself, Superintendent Phillips and a third person. He stated that Phillips always allowed the school district staff to pay for dinners as part of efforts to try to get new “talent” to work at the school district or to retain good employees.

The principal also used the school district credit card to pay restaurant charges on three other occasions totaling approximately \$573 (September 24, 2001, and May 16 and 17, 2002). The principal stated that he could not remember the purpose of the expenditures, but that they might have been for meals concerning recruiting or employee retention.

Phillips told OSI that she did not remember the specifics of any recruiting dinners that she may have attended with any school district staff. She did state that she believed that it was all right to use the school district credit card to purchase meals for recruiting purposes as long as it did not become constant.

The principal also made purchases of two cellular telephones and three Palm Pilots with the school district’s credit card totaling approximately \$1,368. The principal told

OSI that he purchased three cellular telephones and left all of the equipment at the school district when he resigned. The school district has no information concerning the cellular telephones and informed us that it is not being billed for charges related to them.

The principal told OSI that he purchased the three Palm Pilots charged on the credit card. He said that he used one, gave one to the assistant principal and gave one to another employee. The principal also stated that he believed that he purchased a total of six Palm Pilots when he was at the school district. He did not recall when or how the others were purchased or what happened to them. The school district had no records or other information concerning any of the Palm Pilots. According to Business Manager No. 2, the school district has an asset tracking system that only includes items purchased at a cost in excess of \$500.

On February 12-14, 2003, the principal attended an educational conference in Poitiers, France. The charges to the school district for the trip were \$1,993.28, of which \$662.14 was charged to a school district credit card. It does not appear that there were specific instances of misuse of the credit card in connection with the trip. However, the reasonableness and necessity of the trip itself are questionable. The principal told OSI that the trip was Superintendent Phillips' idea. The principal spoke at the conference for less than one hour.

The principal told OSI that the credit card was at the McCaskey High School when he was hired; the card was maintained by his administrative assistant; he and other staff would go to her when they needed to use the card. He also said that he assumed if there was anything questionable or wrong with any of the credit card charges, the business manager and the business office would contact the school. He stated that he assumed that if the business office did not inform him to stop using the card for certain things, then it was all right to do so.

The McCaskey Administrative Assistant told us that there was no policy for use of the card; anyone could come to her, ask for it and she would give it to them; she would not know what they used it for until they returned and gave her the receipts. She also said that there was no pre- or post-approval process for credit card use and that the principal was aware that the staff was not always turning in receipts, but did not do anything about it.

Conclusions and Recommendations

The school district lacked effective policies or procedures for the use of the credit cards, exercised poor management over the card program, and failed to adequately control misuse. No cardholder saw written policies concerning the use of the card.

Business Manager No. 1 prepared procedures for the school district credit cards use. However, there is no evidence those procedures were implemented. The school board appeared to have totally isolated itself from the process. Superintendent Phillips did not ensure that there was effective oversight and Superintendent Curry was part of the problem, rather than a leader or participant in developing effective solutions. Business Manager No. 2 made some efforts to call some specific questionable and/or abusive charges to the attention of Superintendent Phillips or the responsible individuals. However, there was little support for her efforts and no concerted or consistent action was taken to prevent misuse of credit cards.

The school district acted properly, if belatedly, in stopping all credit card use in February 2004. If the school district intends to use credit cards in the future, it must develop effective procedures and ensure they are followed by all staff members, including the superintendent. The credit card policy dated July 2003 is inadequate, for the reasons discussed above.

We recommend that the school district:

- Establish, implement and enforce uniform district-wide policies and procedures regarding authorized credit card purchases.
- Ensure awareness and understanding of such policies and procedures through the distribution of written materials and periodic training sessions for appropriate individuals, including authorized users, the business office staff, building principals and senior management officials.
- Differentiate between credit cards intended for use in purchases of supplies (generally referred to as “Purchasing Cards”) and use of credit cards for payment of travel expenses by individuals. The former should be assigned only to a specific and limited number of individuals with duties related to purchasing; the latter should be assigned only to officials and other employees who travel regularly, and who are responsible for making the payments for the credit card charges themselves and then submitting claims for reimbursement to the school district for charges necessary and related to official school district business.
- Require all cardholders to reimburse the school district for all inappropriate purchases.
- Limit the number of card users and credit cards to the minimum necessary to conduct essential business and limit the vendors from which items can be purchased to those furnishing school supplies and other allowed items.

- Require approval by the school district technology office before purchasing technology-related items such as Palm Pilots, cellular telephones, computers and printers and maintain an inventory of such items to prevent loss or misuse.
- Prohibit purchases of meals and food by purchasing cardholders.
- Prohibit purchasing cards from being used for travel or other travel-related costs.
- Impose strict timeframes on reconciliation of monthly credit card statements.
- Require submission and retention of documentation to justify credit card purchases.
- Require regular reports to the school board by the business office concerning credit card use, the number and identity of cardholders, letters, notices and other actions taken in regard to questioned and inappropriate credit card purchases, and reimbursement payments for inappropriate charges.
- Obtain documentation and explanation of the justification for the questionable credit card charges, or obtain full and immediate repayment (or, where possible, the items purchased) from former Superintendent Curry, the former Director of Communications, and the former McCaskey High School principal in connection with all improper credit card charges.

The School District's Response to Finding No. 3

The response stated that:

- The School District suspended credit card use in February of 2004. The credit card accounts were canceled in July of 2004 with the exception of a single credit card held exclusively by Dr. Rita Bishop, the School District's Superintendent. The use of the credit card by Dr. Bishop is governed by an expenditure policy adopted by the Board of School Directors. All credit card transactions by Dr. Bishop are reviewed by the Finance Subcommittee of the Board of School Directors.
- The School District, in consultation with its solicitor, will seek to obtain reimbursement from present and former School District employees for inappropriate purchases with School District credit cards. The School District will initiate legal proceedings to recover such amounts.

The Department of the Auditor General's Comments

We are pleased that the school district has adopted, or will adopt, our recommendations.

FINDING NO. 4 – THE SCHOOL DISTRICT FAILED TO MANAGE THE USE OF CELLULAR TELEPHONES.

The school district did not have policies or procedures (1) to determine the appropriate and necessary number of cellular telephones and the proper distribution of telephones to individuals and (2) to review charges so that the school district would not pay charges for calls unrelated to official business.

We reviewed the school district's records of cellular telephone charges for calendar years 2002 and 2003. During 2002, the school district had 100 cellular telephones and paid for charges totaling \$65,752. For 2003, there were 167 telephones and charges totaling \$53,707. The costs include both costs of basic plans and use charges.

The school district had no written policies or procedures for assignment or distribution of the telephones. Staff members who had telephones included the superintendents, directors or coordinators of various activities and programs, including Communications, Development, Engineering, Personnel and Parent Concerns and Recruitment, and school principals. All of them could have a reasonable basis for the equipment as part of their duties. However, many other employees had cellular telephones.

More significantly, the school district had no comprehensive policy or procedure to ensure that the costs the school district paid for cellular telephone charges were limited to calls related to official business. Persons with cellular telephones were not required to review monthly statements of charges to identify personal calls and pay the school district for them.

The business manager during the review period for cellular telephone use (Business Manager No. 2) told OSI that she had an informal policy whereby she identified monthly cellular telephone bills with charges exceeding \$200 and then sent a memorandum to those users asking them to review the bills and to reimburse the school district for personal calls. Phillips told OSI that while she was superintendent, she did not see the monthly bills for her cellular telephone charges unless the charge exceeded \$200.

If the practice of giving monthly bills to users when the charges exceeded \$200 was intended to serve as a control mechanism, it was inadequate. The school districts' plans for cellular telephones included a number of "free" minutes as part of the basic cost (an average of \$99). Therefore, the "control" only went into effect after users had the opportunity to charge an additional \$101 to the school district before they were even given the bills to review. In effect, personal calls were allowed, without any question, up to \$200 per billing period.

The business manager told OSI that the school district did not have records of the memoranda sent to those users, but she provided a list of the repayments. The list contained a total of 26 reimbursement payments, totaling \$1,884 for the period of our review. The total for the period from January 2001 through June 2004 was 35 payments (\$2,234). Due to the number of monthly statements and the limited information on them, we cannot determine the actual number and cost of personal calls.

Curry had the largest amount of cellular telephone charges during the review period (\$5,918). We found no record of any reimbursement payments to the school district by Curry for personal calls.

Conclusions and Recommendations

According to Business Manager No. 2, the school district was preparing a written cellular telephone policy while our investigation was underway. Such a step is needed. Without adequate controls over the assignment, use and review of charges, cellular telephones are likely to be misused, resulting in increased costs. Cellular telephone equipment and services are not “perks” and the availability of “free” or “pooled” minutes provided as part of cellular telephone plans is not a justification for personal use. The school district pays for the “free” minutes as part of the cost of each particular plan.

It is recommended that the school district adopt and enforce policies and procedures for cellular telephones that include the following:

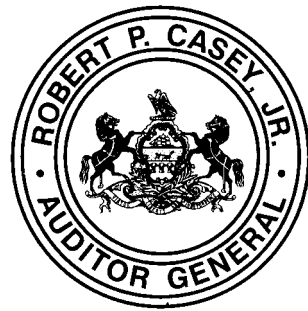
- Evaluation of the justification for each cellular telephone assigned based on the user’s duties.
- A specific limitation of use to official business.
- A requirement that monthly bills should be sent to users for review and written acknowledgement that calls were for official purposes and not for personal use.
- Charges for calls identified as personal should be repaid to the school district within 30 days; if no charge is listed because it is included in the plan, the school district should establish a reasonable amount that users should be required to pay the school district for personal calls.
- Substantial misuse of a cellular telephone or failure to pay for personal calls should result in return of the equipment to the school district and appropriate disciplinary action.

The School District's Response to Finding No. 4

The response stated that: On June 20, 2004, the Board of School Directors adopted a policy limiting the number of School District cellular telephones and regulating the use of the telephones. The policy prohibits the use of such telephones for any reason other than School District business. The invoices for cellular telephones are reviewed by the School District's Director of Finance.

The Department of the Auditor General's Comments

We are pleased that the school district has adopted, or will adopt, our recommendations.



FINDING NO. 5 – THE SCHOOL DISTRICT DID NOT HAVE IN ITS RECORDS STATEMENTS OF FINANCIAL INTERESTS THAT ARE REQUIRED TO BE FILED IN ACCORDANCE WITH THE ETHICS ACT.

The Public Official and Employee Ethics Act (the Ethics Act) requires public officials and certain public employees, including school district employees, to file annual Statements of Financial Interests.²⁵ For school district officials and employees, the Statements of Financial Interests (referred to as SFIs) are to be submitted and kept on file at the school district.

We attempted to review SFIs on file at the school district and found that the school district did not have any SFIs for calendar year 2001 in its files for any official except Curry.²⁶ The business manager (Business Manager No. 2) told OSI that the other forms could not be located. She did not provide any explanation for the fact that records were missing. The school district had no information concerning whether all of the SFIs required to be filed for 2001 had been submitted by the individuals required to do so pursuant to the Ethics Act. SFIs for other years included in our review (2000-2002) were available in the school district's records, with one exception. Superintendent Phillips' SFI for 2000 was not in the records. She told OSI that she had filed it with the school district.

In the school district's response to the draft summary report, it stated that the SFIs were kept by the secretary of the school board and were not the responsibility of the business office.

Conclusions and Recommendations

The absence of records required to be maintained by the Ethics Act is further indication of major record keeping weakness at the school district. A copy of this report will be sent to the State Ethics Commission for review and whatever further action may be appropriate.

We recommend that the school board ensure that all records of financial interests required to be kept in the school district in accordance with the Ethics Act are present and kept in a secure location; that they are reviewed regularly by the solicitor to ensure that all information required to be on file is present; and that the school district follow the direction and advice of the State Ethics Commission in regard to obtaining resubmission of missing SFIs.

²⁵ 65 Pa. C.S.A. § 1104.

²⁶ The forms were required to be filed by no later than May 1, 2002.

The School District's Response to Finding No. 5

The response stated that: In addition to adopting a policy as recommended by the Pennsylvania School Boards Association regarding the maintenance of records required by the Public Official and Employee Ethics Act, the Board will follow the advice and direction of the State Ethics Commission in regarding to obtaining the re-submission of the missing statements of financial interests for 2000 and 2001.

The Department of the Auditor General's Comments

We are pleased that the school district has adopted, or will adopt, our recommendations.

School District of Lancaster Response to the Draft Summary Report

SCHOOL DISTRICT OF LANCASTER

Rita D. Bishop, Ed.D.
Superintendent
1020 Lehigh Avenue
Lancaster, Pennsylvania 17602
(717) 291-6121
FAX (717) 291-6002
www.lancaster.k12.pa.us

November 24, 2004

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
327 Finance Building
Harrisburg, PA 17120

Dear Mr. Smith:

Thank you for your letter of November 19, 2004, and the draft summary report which accompanied the letter ("Auditor General's report").

The School District acknowledges the existence of the deficiencies identified in the Auditor General's report. The School District has already taken actions to correct the deficiencies, and to implement many of the recommendations. The School District and its entire Board of School Directors will be carefully reviewing the recommendations in the final Auditor General's report in order to take additional actions. When action is taken, we will inform you.

The actions taken by the School District, to date, to remedy the deficiencies identified in the Auditor General's report are as follows:

- In January of 2004, the School District retained an independent accounting firm to investigate the School District's use of educational consultants. The firm of Kuntz Leshner LLP issued a report ("Kuntz Leshner report") to the Board of School Directors on March 15, 2004.
- The School District's administrative procedures now substantially reflect the recommendations contained in the Kuntz Leshner report

Equal Education Opportunities

ADVANCING LEARNING IN LANCASTER



TOGETHER WE CAN

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
November 24, 2004
Page 2

and, in many respects, the recommendations contained in the Auditor General's report. For example, the Board of School Directors requires a standard written contract with all educational consultants and independent contractors. The contracts are reviewed and approved by the Board of School Directors prior to the educational consultant or independent contractor providing services to the School District. The standard written contract requires that documentation be maintained to facilitate proper review and audit of the services and to evaluate the services performed by the educational consultants and independent contractors.

- Act 34 and Child Protective Services Law clearances are required from all educational consultants, independent contractors and employees prior to providing services as required by law.
- Effective November 16, 2004, the School District employed Dr. Robert Bordeaux as the federal/external funding coordinator. Dr. Bordeaux will insure that all federal, state and private grants are in compliance with applicable laws, regulations and grant requirements. As such, Dr. Bordeaux will monitor the services provided by, the payment of and the evaluation of, educational consultants and independent contractors.
- In April of 2004, the Board of School Directors created an Education Subcommittee ("Subcommittee"). Proposed contracts with educational consultants or independent contractors, and the documentation related to the contracts, must be submitted to and recommended by the Subcommittee prior to approval by the Board of School Directors. The School District employee who is proposing the contract must appear before the Subcommittee to describe the service which is proposed, to identify the funding source and to present the evaluation tool to be used to measure the effectiveness of

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
November 24, 2004
Page 3

the services if approved. Act 34 and Child Protective Services Law clearances must be submitted to the Subcommittee. In addition, each contract with an educational consultant or independent contractor is provided to each member of the Board of School Directors in advance for review and submitted to the Board of School Directors for final approval at a regularly scheduled public Board meeting.

- Administrative procedures for the payment of invoices submitted by the educational consultants and independent contractors now require documentation to support the invoices submitted in accordance with the contracts. The documentation must include the dates of the service, a list of the participants and an evaluation of the service.
- On November 16, 2004, the Board of School Directors contracted with the Pennsylvania School Boards Association to review, analyze and recommend a complete Board policy manual which will be published on the School District's website. The School District will provide the Association with the Auditor General's final report as well as the Kuntz Leshner report. The Board of School Directors will adopt additional policies to implement fully the recommendations contained in the Kuntz Leshner report and the Auditor General's report.
- The School District has discontinued the cultural translator program. The School District has no contractual relationship with the Shalom Partnership.
- The School District suspended credit card use in February of 2004. The credit card accounts were cancelled in July of 2004 with the exception of a single credit card held exclusively by Dr. Rita Bishop, the School District's Superintendent. The use of the credit card by Dr. Bishop is governed by an expenditures policy adopted by the

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
November 24, 2004
Page 4

Board of School Directors. All credit card transactions by Dr. Bishop are reviewed by the Finance Subcommittee of the Board of School Directors.

- On June 20, 2004, the Board of School Directors adopted a policy limiting the number of School District cellular telephones and regulating the use of the telephones. The policy prohibits the use of such telephones for any reason other than School District business. The invoices for cellular telephones are reviewed by the School District's Director of Finance.

Once the Auditor General's final report has been issued, the School District anticipates taking the additional actions described below:

- The Board of School Directors is committed to adopt a new Board policy manual. The Board policy manual will regulate a wide range of School District functions, and will include the recommendations contained in the Kuntz Leshner report and the Auditor General's report.
- The School District, and an independent accounting firm, will conduct a detailed review of the 20 additional consultants for which former Superintendent Curry was the School District official who signed off on invoices or who dealt with the individual consultant. In the event that the review uncovers improper expenditures, appropriate legal action will be initiated.
- The School District administration and the Board of School Directors will review the appropriateness of the former Shalom Partnership grant administrator's continued service as an employee of an independent contractor who has a contractual relationship with the School District.

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
November 24, 2004
Page 5

- The School District will seek to obtain from the Shalom Partnership and other parties including former Superintendent Curry and law enforcement agencies, all records and other information concerning billings and charges for cultural translators, including timesheets, pay records and the names, addresses and background materials for all cultural translators. The School District, in consultation with its solicitor, will determine whether there is a reasonable basis for the charges, and will seek, if appropriate, reimbursement of all improper or undocumented charges.
- The School District, in consultation with its solicitor, will seek to obtain reimbursement from present and former School District employees for inappropriate purchases with School District credit cards. The School District will initiate legal proceedings to recover such amounts.
- In addition to adopting a policy as recommended by the Pennsylvania School Boards Association regarding the maintenance of records required by the Public Official and Employee Ethics Act, the Board will follow the advice and direction of the State Ethics Commission in regarding to obtaining the re-submission of the missing statements of financial interests for 2000 and 2001.

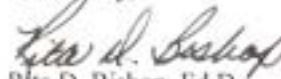
As you requested, we reviewed the draft summary report to determine if there were any factual errors which should be corrected in the final report. We believe that the report is accurate with two small corrections. First, the draft report states that "the files of six consultants (4 percent of the total) contained no invoices." (Auditor General's report, page 11). Business Manager No. 2 assures us that payments would not have been made to these consultants if invoices had not been submitted. Therefore, we believe that it is likely that the invoices for the six consultants were either misfiled after payments were issued, or were misfiled during the reproduction of the files of the educational consultants

Mr. Peter J. Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
November 24, 2004
Page 6

for the various investigations. Second, while Business Manager No. 2 accurately stated that the statements of financial interests for 2000 and 2001 could not be located within the School District's records (Auditor General's report, page 51), the statements were not the responsibility of the Business Office of the School District. In fact, the statements are kept by the Secretary of the Board.

In conclusion, we appreciate the thoroughness and professionalism of the Auditor General and his staff in conducting this investigation, and in making recommendations to improve the function of the School District. The School District is committed to moving forward with the essential task of educating the children of the School District of Lancaster in the most efficient and cost effective manner.

Yours truly,


Rita D. Bishop, Ed.D.,
Superintendent

RDB/beb/00383394.2

cc: Ms. Patrice Dixon, President, Board of School Directors
George T. Brubaker, Esquire

Former Superintendent Phillips' Response to the Draft Summary Report

December 3, 2004

Peter Smith
Deputy Auditor General for Performance Audits
Director, Office of Special Investigations
327 Finance Building
Harrisburg, PA 17120

Dear Deputy Smith,

This letter is in response to the Summary Report regarding the School District of Lancaster. Thank you for the opportunity to respond.

Many of the allegations addressed in the report have been raised and answered publicly by me numerous times during the past year. Therefore, I am responding only to statements in the report that are inaccurate or conclusions that are not sufficiently substantiated.

- Finding No. 1

The proposed conclusion that the school board or I were responsible in any way for mismanagement that created a situation in which "fraud" occurred is incorrect and is contrary to the available evidence. As noted in the draft report, former Superintendent Curry pleaded guilty to charges related to his hiring of friends and relatives as educational consultants. (Draft Report, p. 1). The U.S. Attorney for the Eastern District of Pennsylvania, in print and in public statements regarding those charges, made clear that "no other administrator" in the school district was involved in the fraudulent actions taken by Superintendent Curry in the hiring of consultants. Therefore, it would be appropriate to remove final sentence of the first paragraph on page 13 and the final sentence of the last paragraph on page 15 of the draft report.

The actions that resulted in criminal charges he took alone and were within the budget authority granted to him first as a senior member of the District's administrative staff and later as the Superintendent. Even with the best financial controls, it is possible for individuals to misuse their positions and authority.

The draft report also fails to discuss the evidence you obtained about my vigilance in enforcing a prohibition on the hiring of relatives. As you noted, Mr. Curry ignored that prohibition.

- Finding No. 3

Page 40, paragraph one, contains an inaccurate statement. The report indicates that "Phillips did not ask the Director of Communications to stop the practice or to repay the school district for the stays." This refers to the hotel stays in Lancaster by the

Director of Communications other than those made during Leadership Team retreats (which were held twice a year in November and March, beginning on Friday afternoon and finishing on Saturday afternoon) and during periods of crisis (e.g., the shutdown of McCaskey East High School and the relocation of 150 staff and 1300 students).

During my July interview with OSI, I noted that the business manager (Business Manager 2) informed me she believed the Director of Communications was staying overnight more frequently than necessary. I told OSI that I specifically asked the business manager to review the hotel stays with the Director of Communications and authorized her to request repayment if the need for the stay was not sufficiently related to the work the Director was undertaking at the request of the District/Superintendent. I also informed the Director of Communications that the business manager would be contacting him and that every stay should be carefully examined and repayment made where warranted. Neither of those comments were noted in the draft report.

At my request, a notetaker was in the room during my interview with OSI and can verify my response.

Thank you again for forwarding a copy of the draft report and affording me an opportunity to respond.

Sincerely,

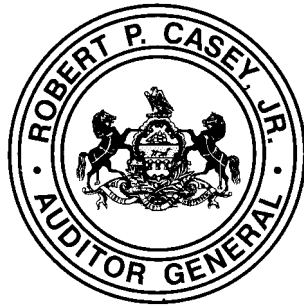


Vicki L. Phillips

The Department of the Auditor General's Comments on Phillips' Response

The fact that no other administrator was found to be involved in Superintendent Curry's criminal fraud does not relieve other school district officials of responsibility for their role in the management of hiring and use of educational consultants during the time they served with the school district. Phillips was the person primarily responsible for the school district's heavy reliance on consultants, the large increase in the number of consultants and the wide variety of services provided by them. The breakdown of the school district's oversight of those consultants, as stated in this report, was a failure on the part of the school board and Superintendent Phillips, as well as Curry, and extended well beyond Curry's specific criminal activities, which involved only four of the total number of educational consultants. As noted in our conclusions to Finding No. 1, the lack of controls and inadequate oversight made it easy for fraud to occur.

We do not dispute Phillips' statements of what she told our investigators in regard to the Director of Communications' travel, and those statements appear in the final report. However, there is no evidence of effective oversight of the Director of Communication's hotel stays. There was also no follow-up and no reporting of the questionable activities to the school board. Whatever steps may have been initiated, they were not successful.



REPORT DISTRIBUTION LIST

This report was distributed initially to the members of the School District of Lancaster school board, superintendent and the solicitor, as well as to the following:

The Honorable Francis V. Barnes, Ph.D.
Secretary of Education
Pennsylvania Department of Education

The Honorable Barbara Hafer
State Treasurer

The Honorable Gerald Pappert
Attorney General
Commonwealth of Pennsylvania

John J. Contino, Executive Director
State Ethics Commission

Ann Boyko
School Personnel Services Administrator
Pennsylvania School Boards Association

Copies are also being distributed to the United States Attorney's Office for the Eastern District of Pennsylvania, the United States Department of Education's Office of Inspector General, and the Lancaster County District Attorney.

Auditor General Web Site Address:
www.auditorgen.state.pa.us

This report is a matter of public record. Copies of this report are available on the Department of the Auditor General's web site and from the Department's Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.