

## **SUMMARY REPORT**

### **PAYMENTS FOR FOOD SERVICES PROVIDED BY THE LANCASTER COUNTY CAREER AND TECHNOLOGY CENTER**

**April 2003**

## **INTRODUCTION**

The Department of the Auditor General (the Department) conducts audits of secondary occupational and technical schools pursuant to its authority under the Fiscal Code.<sup>1</sup> Lancaster County Career and Technology Center (LCCTC), Willow Street, PA, is a facility established by a joint agreement among 16 Lancaster County school districts.<sup>2</sup> The operation, administration and management of LCCTC are directed by a Joint Operating Committee (JOC) comprised of one member from each of the 16 school districts.<sup>3</sup> The agreement among the participating school districts provides that the JOC has all the powers and duties, and is subject to all of the responsibilities and requirements concerning supervision, operation, maintenance and regulation of LCCTC, as are conferred or imposed by law on school boards generally. LCCTC receives Commonwealth funds from the Pennsylvania Department of Education (PDE) and from the participating school districts.

LCCTC offers a culinary program for students as part of its curriculum. As part of the program, the LCCTC operates a restaurant and cafeterias and performs banquet and food service functions. The LCCTC employs a food services manager. In April 2002, the Department received a complaint concerning irregularities in the management and operation of LCCTC's food service activities. An investigation was conducted by the Department's Office of Special Investigations (OSI). The investigation included interviews of the food services manager and other LCCTC staff and representatives of organizations for which LCCTC provided food services and reviews of business records.

The draft summary report of the investigation was sent to LCCTC's management on January 17, 2003. LCCTC sent an interim response on January 29, 2003. OSI met with LCCTC representatives on March 11, 2003, to discuss draft report and information obtained by LCCTC and an accounting firm hired by LCCTC to conduct an investigation of the matters contained in the draft summary report. LCCTC's formal response was received on April 2, 2003. LCCTC's response has been included, in slightly edited form, as part of this final report. Information provided to OSI by LCCTC and its accountant has been incorporated into the report. LCCTC's accountant obtained information from the food services manager that was not available to OSI during the investigation. That information is referred to in relevant portions of the report.

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<sup>1</sup> 72 P.S. § 403.

<sup>2</sup> The school districts are Cocalico, Columbia Borough, Conestoga Valley, Donegal, Eastern Lancaster Co., Elizabethtown Area, Ephrata Area, Hempfield, Lampeter-Strasburg, School District of Lancaster, Manheim Township, Manheim Central, Penn Manor, Pequea Valley, Solanco, and Warwick.

<sup>3</sup> Area vocational-technical schools are established and administered in accordance with provisions of Article XVIII of the Public School Code, 24 P.S. § 18-1801 et seq. Operation of vocational-technical schools by a joint committee of participating school districts is provided for in Section 18-1850.3.

## SUMMARY

**FINDING: From 1997 to 2002, the food services manager used LCCTC food supplies, equipment, facilities, employees and, in some cases, students to provide food and related services at the Landis Valley Museum. The food services manager received at least \$37,355 and possibly as much as \$61,162 in connection with the events that he did not turn over to LCCTC and has not fully accounted for. The LCCTC does not have adequate records of the costs of its participation in the events. From the available evidence, it appears that the LCCTC was not fully paid or reimbursed and that the costs of food services were not accurately reported to the events' sponsor.**

From 1997 to June 2002, food and related services were provided at annual events held at the Landis Valley Museum in Lancaster. The Museum is part of the Pennsylvania Historical and Museum Commission (PHMC), a Commonwealth agency. The events were paid for by the Landis Valley Association (LVA), a private non-profit organization, authorized by the PHMC to raise funds and hold annual events at the Museum. The food services manager managed and supervised food services at Museum events. During the early to mid 1990s, the food services manager was a member of the managing board of the LVA.

The LVA issued checks as payments for the services. Some checks were made payable to LCCTC; most were made payable to the food services manager and were deposited into his personal bank account. In some cases, the food services manager then made payments of lesser amounts, by personal or cashier's check, to the LCCTC, supposedly as payments for LCCTC food services provided at the LVA events. In many cases, the food services manager made no payment to the LCCTC in connection with events at the Museum.

The transactions and the names of the relevant annual Museum events are listed in the Tables below. The Harvest Days, Pumpkin Patch weekend and Belsnickel events are held in the fall. The Institute and Civil War events are held during the summer. Table No. 1 contains a listing of events for which the LVA paid LCCTC directly by check and the corresponding invoices. In two instances, LVA also issued a separate check to the food services manager in connection with the event. The dates, check numbers, and amounts of those checks are also listed in Table No. 1.

Table Nos. 2 and 3 show that, beginning in 1997, LVA payments were increasingly made to the food services manager. By 1998, most of the LVA payments for food services were made to the food services manager.

Table No. 2 lists the events for which the LVA paid the food services manager for food services provided by LCCTC. The food services manager then paid LCCTC a lower amount based on invoices he prepared. As shown on the Table, the difference between what the LVA paid and what the LCCTC received was approximately \$14,290. The events shown on Table No. 2 were the Harvest Days, Pumpkin Patch and Belsnickel events held during the fall months.

Table No. 3 lists LVA events for which LVA paid the food services manager and for which there were no corresponding or related payments by the food services manager to LCCTC and no records of use of LCCTC food supplies, equipment, employees or facilities. As shown on the Table, the total amount paid to the food services manager was approximately \$46,872. The Institute and Civil War Village events shown on Table No. 3 were held during the summer.

Overall, the LVA paid approximately \$116,410 for food services at the events, via direct payments to either the food services manager or LCCTC.

Overall, LCCTC received approximately \$54,119 in connection with the events included in the Tables.<sup>4</sup>

Overall, the food services manager received approximately \$62,290 in connection with the events included in the Tables. Most of that amount, approximately \$61,162, was for food services at the events included in Table Nos. 2 and 3. Those are the events at which it appears that LCCTC provided supplies, equipment, facilities and other services for which it was not adequately reimbursed or may not have been paid at all.

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<sup>4</sup> This figure is the total of payments to LCCTC from LVA shown on Table No. 1 (\$14,249.71) plus the total payments to LCCTC from the food services manager shown on Table No. 2 (\$39,869.84).

**Table No. 1 – LVA Event Payments Directly to LCCTC and  
Related Payments to the Food Services Manager**

<b>Event</b>	<b>Date</b>	<b>LVA Check No.</b>	<b>Date</b>	<b>Amount</b>	<b>LCCTC Invoice No.</b>	<b>Date</b>	<b>Amount Deposited to LCCTC Account</b>	<b>Amount of LVA Payment to Food Services Manager</b>
Harvest Moon Auction	10/4/97	8110	10/17/97	\$1,317.60	NA <sup>5</sup>	10/4/97	\$1,317.60	
Harvest Days	10/11/97	8170	10/29/97	\$7,687.77	NA	10/11/97	\$7,687.77	\$820.47 <sup>6</sup>
Pumpkin Patch 97	12/10/97	8500	12/18/97	\$586.45	NA	12/10/97	\$586.45	
Belsnickel 97	12/10/97	8509	12/22/97	\$3,860.70	NA	12/10/97	\$3,860.70	\$306.79 <sup>7</sup>
Auction	4/21/99	10170	4/30/99	\$656.25	156	4/21/99	\$656.25	
Civil War Village	7/23/00	12166	7/25/00	\$140.94	NA	NA	\$140.94	
<b>TOTAL</b>				<b>\$14,249.71</b>			<b>\$14,249.71</b>	<b>\$1,127.26</b>

<sup>5</sup> “NA” indicates that the LCCTC invoice was unnumbered or unavailable.

<sup>6</sup> The payment was via an LVA check no. 8083 dated 10/15/97 made payable to the food services manager.

<sup>7</sup> The payment was via LVA check no. 8449 dated 12/19/97 made payable to the food services manager.

**Table No. 2 – LVA Event Payments to the Food Services Manager  
and the Food Services Manager’s Subsequent Payments to LCCTC**

Event	Date	LVA Check No.	Date	Check Amount	Amount of Food Services Manager’s Payment to LCCTC	Date	LCCTC Invoice No.	Difference between LVA payment amount and food services manager’s payment amount
Harvest Days	10/12/98	9435	10/13/98	\$ 7,426.72	\$5,958.97	10/14/98	NA	\$1,467.75
Pumpkin Patch Weekend	10/25/98	9504	10/28/98	\$ 1,704.35	\$1,050.77	10/30/98	NA	\$ 653.58
Belsnickel	12/2-5/98	9695	12/10/98	\$ 4,138.74	\$2,697.77	12/11/98	No. 60	\$1,440.97
Harvest Days	10/13/99	10929	10/13/99	\$ 6,331.25	\$5,475.70	10/14/99	NA	\$ 855.55
Pumpkin Patch	10/26/99	10995	10/26/99	\$ 1,852.89	\$1,077.50	10/27/99	NA	\$ 775.39
Belsnickel	12/5/99	11185	12/8/99	\$ 4,595.81	\$3,015.91	12/9/99	NA	\$1,579.90
Harvest Days	10/11/00	12487	10/11/00	\$ 6,696.86	\$5,745.53	10/12/00	NA	\$ 951.33
Pumpkin Patch	10/24/00	12573	10/24/00	\$ 1,957.37	\$1,518.44	10/25/00	NA	\$ 438.93
Belsnickel	12/5/00	12818	12/7/00	\$ 6,184.03	\$4,224.64	12/10/00	NA	\$1,959.39
Harvest Days	10/10/01	14145	10/10/01	\$ 6,382.53	\$4,842.84	10/12/01	No. 121	\$1,539.69
Pumpkin Patch	10/23/01	14229	10/23/01	\$ 2,770.23	\$1,241.77	10/25/01	No. 127	\$1,528.46
Belsnickel	12/01	14489	12/11/01	\$ 4,120.00	\$3,020.00	12/17/01	No. 166	\$1,100.00
<b>TOTAL</b>				<b>\$54,160.78</b>	<b>\$39,869.84</b>			<b>\$14,290.24</b>

**Table No. 3 – LVA Events Payments to the Food Services Manager  
for Which There Are No Records of Corresponding or Related  
Payments To LCCTC**

<b>Event</b>	<b>Date</b>	<b>LVA Check No.</b>	<b>Date</b>	<b>Check Amount</b>
Institute	6/18/97	7747	6/20/97	\$5,563.91
Institute	6/15-16/98	9018	6/18/98	\$6,452.50
Civil War Village	7/18/98	9134	7/18/98	\$2,783.28
Institute	6/15/99	10419	6/17/99	\$6,219.20
Civil War Village	7/24/99	10571	7/27/99	\$3,170.31
Institute	6/13/00	11938	6/15/00	\$5,671.15
Civil War Village	7/23/00	12165	7/25/00	\$2,712.93
Institute	6/21/01	13686	6/22/01	\$5,343.73
Civil War Village	7/22/01	13882	7/25/01	\$3,282.29
Institute	6/20/02	15315	6/20/02	\$5,673.26
<b>TOTAL</b>				<b>\$46,872.56</b>

We found no written agreement or contract for food services between LCCTC and LVA (or the Landis Valley Museum). According to officials of the LCCTC and LVA, there was an informal agreement or understanding. With the exception of the transactions listed in Table No. 1, we found no record of direct payments by LVA to LCCTC.

OSI's review of records concerning the payments summarized in Table No. 2 also disclosed the following:

- LVA's records of 12 events listed in Table No. 2 for which the LCCTC received a payment from the food services manager contained itemized food lists as invoices. Four of the food lists were LCCTC invoices.
- As shown in Table No. 2, the amounts on the invoices for the 12 events, including the four LCCTC invoices, were for substantially larger amounts than the invoices in the LCCTC records relating to the same events. The total amount of the difference is approximately \$14,290.
- By comparison, the LCCTC records related to the 12 events do not contain detailed records of food items supplied or services rendered by LCCTC except in one instance: a cost sheet for the 1998 Pumpkin Patch event. The cost sheet includes 15 of the 21 items that appear on the detailed food cost sheet given to LVA by the food services manager. The amounts and unit costs of some items are different on the two sheets. In most cases, the result was that the LVA was charged more for the items. The total actual cost of the food and other supplies on the LCCTC document is about \$780. A markup of approximately \$234 and an undocumented additional food expense raised the amount to \$1,050.77, the amount paid to LCCTC by the food services manager. The amount that LVA was charged was \$1,704.35. Even when the stated (but undocumented) cost of the additional items listed on the LVA food cost

sheet (about \$250) is taken into account, the food services manager charged the LVA approximately another \$402<sup>8</sup> without explanation or documentation.

- Other than the above-mentioned invoices, the LVA records contain receipts or other documentation for purchases from other vendors for only one of the 12 events; they total about \$35.
- Three of the food services manager's payments to LCCTC were made via cashier's check. The rest of the payments were made with personal checks.
- One of the annual Museum events paid for by the LVA included charges for alcoholic beverages (the Belsnickel event).

Based on additional interviews and information provided by LCCTC as a result of a review by its accountants after LCCTC received the draft report, it appears that all of the charges submitted by the food services manager to LVA for payment were increased or "marked up," in large part by inflating the unit cost of items. The food services manager did not disclose the markup to the LVA staff. According to interviews, he told them he was not including a customary additional ten percent charge normally included by LCCTC in connection with food services provided to outside organizations. Based on the records of the amounts he charged the LVA, the food services manager's statement to LVA staff was false and misleading.

Table No. 3 lists charges and payments in connection with ten other LVA annual events; including the annual Civil War and Institute events. There is no record of any payment made by the food services manager to LCCTC in connection with the ten events. The LVA records contain payment requests forms, invoices and handwritten notes that state a total charge for services at each event and identify the food services manager by name as the person to be paid. The bills are not labeled or marked as LCCTC invoices. Three of the billing documents contain printing that states they were sent from a facsimile transmission source at LCCTC.

The charges shown on the documents include labor and non-food items such as liquor, gas, equipment rentals and truck rentals. There was no documentation for most of those charges. The records contained only two receipts from third-party vendors (both for rental of cooking equipment), totaling approximately \$366. The total amount of all non-food charges included in the records was approximately \$7,300. There were no third-party receipts for food purchases in the LVA records. Thus, even if it is assumed that the non-food charges were, in fact, costs incurred by the food services manager, approximately \$39,572 was paid to the food services manager for food items for which there are no detailed receipts or other documentation to show where, when, how, or at what cost the items were obtained by the food services manager.<sup>9</sup> We found no records related to the events at LCCTC.

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<sup>8</sup> This figure was determined by subtracting \$1,302 (the total amount of the food services manager paid the LCCTC plus the cost of the additional items), from \$1,704 (the amount paid by the LVA).

<sup>9</sup> The \$39,572 figure was determined by subtracting the \$7,300 in non-food charges from \$46,873 (the total amount paid to the food services manager by the LVA for the events listed in Table No. 3).



We obtained a copy of one check to a food vendor for \$635.10 paid from the food services manager's personal account. While we have no documentation to show that the purchase was related to an LVA event, the date of the check (July 23, 2001) is the same date as that of one of the LVA summer events. The food services manager was paid \$3,282.29 by the LVA for food services at the event. The vendor is one from which LCCTC buys a substantial portion of food items used in its culinary program.

According to LCCTC's response, the food services manager provided food services at the LVA summer events outside of his employment at LCCTC and outside of scope of LCCTC's Culinary Arts Program (see p. 16).

The site manager of the Landis Valley Museum stated:

- The LCCTC began providing food services for Museum events in the mid 1990s; the LVA paid for the food.
- The food services manager was, at that time, a member of the LVA managing board; he told the LVA staff that he could increase revenue by using the LCCTC to provide services and that this would also give hands-on experience to students enrolled in the LCCTC culinary program. As a result, the food services at Museum events improved; new events were added and revenue increased.
- Prior to 1997, the LVA paid for food services provided by LCCTC by issuing checks to the LCCTC. At some time in approximately 1997, the food services manager insisted on having the checks written to him, a practice which has continued until the present time. The Museum site manager described the practice as "out of the ordinary" and "not a good system."
- The food services manager told the Museum director that the reason the checks should be made payable to him was because the LCCTC administration did not want to deal with the paperwork and it was easier to deal with the food services manager.

The Association manager is responsible for the financial activities of the LVA. She stated:

- The LVA has used LCCTC services for the annual Harvest Day, Pumpkin Patch, Belsnickel, Civil War and Institute events. The LVA dealt with the food services manager in connection with the events; it was the LVA manager's understanding that the food services manager represents LCCTC in connection with the events.
- The food services manager pays the LVA's costs for the events and the LVA reimburses him with checks, made payable to him.
- She attempted to have discussions with the food services manager concerning the lack of details on invoices he submits to the LVA. The Association manager referred to them as "LCCTC invoices." She requested the food services manager present

itemized breakdowns of costs for events; he submits handwritten notes; when she confronted him, he responded by saying “you know I am honest.”

- While the LCCTC business manager was on the LVA board, he helped her organize her work at LVA and she relied on his advice; she has never discussed the payments to the food services manager with the LCCTC business manager.<sup>10</sup>
- Recently the quality of LCCTC food and services has declined and LCCTC students do not perform assigned work. The LVA did not hire LCCTC to provide services for the 2002 Civil War event. In her opinion, due to the lack of LCCTC student participation in the Harvest Day and Belsnickel events, the students’ work at the events did not have educational value for the students.

The cafeteria manager at the LCCTC Brownstone campus stated:<sup>11</sup>

- For many years, she has helped the food services manager to prepare and serve food at the Institute event held annually at the Museum.
- The food services manager paid her cash for the work; she would not state how much she was paid.
- For the past several years, some food for the Institute event has been prepared at the LCCTC and LCCTC equipment was used. Food was prepared during normal work hours; sometimes the preparation took several days and extended into the evening hours.
- At various times, all three LCCTC campuses were used to prepare food for the Institute event.

A culinary instructor at LCCTC stated that the food services manager instructed her to prepare food items at the LCCTC Mount Joy campus for summer events at the Museum. The items were from the LCCTC inventory.

During several interviews, the food services manager stated that:

- While he was an LVA board member, he suggested using LCCTC to prepare food items as a way to lower costs and minimize the amount of leftover food that the LVA would otherwise have to pay for.
- The former director of curriculum at the LCCTC suggested to him that the LVA wanted to write one check for the entire cost of events. Liquor was used at one of the annual events (Belsnickel) and could not be purchased through LCCTC. For that

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<sup>10</sup> The business manager was a member of the LVA managing board in 1992-94.

<sup>11</sup> LCCTC has three campuses: Brownstone, Mount Joy and Willow Street.

reason, the food services manager suggested that the LVA write checks for the food services to him.

- No one at LCCTC gave him permission to conduct business with the LVA.
- The LVA writes the checks to him because the LCCTC cannot purchase alcoholic beverages.
- He has no income from the LVA events.<sup>12</sup>
- He does not have a job or business outside of his employment at LCCTC.

In regard to the Museum events for which the food services manager made a payment to the LCCTC after being paid by the LVA, he said:

- The Belsnickel, Harvest Days and Pumpkin Patch events are LCCTC business; food services are provided by the LCCTC and LCCTC students.
- The food services manager himself works at those events.
- He calculates the total cost to the LCCTC and then adds a 25 percent markup to arrive at the total.
- He then adds the cost of items he purchases himself for the LVA with his own funds, usually with a personal credit card. The LVA issues checks to him.
- He deposits the checks to his account and writes checks to the LCCTC or obtains cashier's checks for the amount of the LCCTC invoice. The difference is his reimbursement for items he purchased. He has no receipts for items he purchased.

When questioned concerning the differences between the amount and unit charges for food items on the LVA and LCCTC invoices for the October 25, 1998, Pumpkin Patch Days event, the food services manager said that the LVA asked him to do a lot of work, such as renting trucks, and there were additional labor costs because he hired an LCCTC employee or students to work at the event and the LVA did not want to pay them. He said that he added food items to the invoice to pay for the additional labor costs. The food services manager had no explanation for the difference in the truck rental costs on the two invoices.

In regard to the events for which the food services manager received checks from the LVA and made no further payment to the LCCTC, he said:

- The Civil War Village and Institute events occur during the summer when the LCCTC is not in session. The food services manager works at these events, with help

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<sup>12</sup> According to the report submitted by LCCTC's accountants in March 2003, the food services manager told the accountants that he received, personally, \$500 to \$600 for each of the summer Institute LVA events.

from two LCCTC employees (the Brownstone campus cafeteria manager and a culinary instructor at the Willow Street campus), and pays them a total of \$750 per event. The events are side jobs for the two individuals, not LCCTC business.

- The food services manager purchases food items for the events; the above-mentioned LCCTC employees prepare the food at the LCCTC Willow Street campus culinary center and take the items to the Museum.
- The food services manager does not have receipts for items he purchased for those events. When asked how it could be determined that he did not use LCCTC materials for the events, he said “you have to take my word that all materials were not used from here (LCCTC).”
- An LCCTC vehicle was used for Institute and Civil War Village events.

During the investigation conducted by the LCCTC’s accountants after the LCCTC received the draft summary report, the food services manager gave the accountants bank records and food costs sheets and made statements to the accountants concerning costs. OSI has not verified that information. (See LCCTC’s Response, pp.15-19 and the Department’s comments, pp. 19-20.)

The Public Official and Employee Ethics Act (the Ethics Act) requires employees of the Commonwealth or its political subdivisions who are responsible for exercising judgment concerning contracting, procurement or other activities with an economic impact on a person’s interests, to file an annual Statement of Financial Interests (SFI). The statements must contain names and addresses of direct and indirect sources of income, including money for services, in the form of payment, fee or expense.<sup>13</sup> In April 2002, we requested to review SFIs on file at LCCTC for 1997 through 2001. SFIs in the food service manager’s name for 2000 and 2001 were given to us shortly thereafter. In November 2002, the food services manager stated that he completed the SFIs for 2000 and 2001 in April 2002 after we requested to review the SFIs on file at LCCTC. He said that he had not filed SFIs previously and had not known that he was required to do so. The food services manager’s duties at LCCTC include the management of procurement for the culinary program. The food purchasing process includes extensive use of bids and price quotes from vendors of food supplies.

The only source of income reported on the food services manager’s SFIs is LCCTC. The SFI forms also contain a block for reporting employment in any business entity. Those blocks on the food services manager’s SFI forms were marked “None.”

The LCCTC business manager stated:

- LCCTC administrators were aware of the food services manager’s arrangements concerning payments from LVA for food services during the LCCTC school year and the payments to the LCCTC.

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<sup>13</sup> 65 Pa. C.S. §§ 1102, 1104 and 1105.

- The business manager did not approve or disapprove the arrangements.
- There is no documentation or other record of the arrangements.
- The business manager was not aware of the details of the arrangements.
- The business manager did not believe that the LCCTC had been cheated.
- In November 2002, after the food services manager was interviewed by OSI, he told the business manager that the explanation for discrepancies in the amounts of payments was that the food services manager paid for food with his own funds when the LVA ran out of food and that the LVA wanted to write one check for the entire cost.

The financial officer for the LCCTC culinary program stated that she did not know what the arrangement with the LVA was concerning payments for LCCTC food services at Museum events. She said that the food services manager gives her LCCTC invoices for those services together with his personal checks. She also said that those events are the largest ones LCCTC provides for services for; for all other outside customers, the LCCTC sends invoices and the customers' payments are sent directly to her office. She was not aware of any annual events at the Museum for which the LCCTC provided food services other than those included in Table No. 2.

## **CONCLUSIONS AND RECOMMENDATIONS**

The food services manager conducted a food service business in connection with events at the Museum using LCCTC facilities, equipment, supplies, employees and students. There is no written agreement or contract between or among the parties (the Museum, LVA, the food services manager and the LCCTC) and the transactions have not been adequately documented.

Only a portion of the payments for food and related services was received by LCCTC, i.e., approximately \$54,119, slightly less than one-half of the total of \$116,410 paid by LVA for the food and services from 1997 to 2002. The food services manager's statements concerning the reasons and justifications for his handling and distribution of funds were inconsistent with the statements of others, e.g., his explanation of why LVA checks were made payable to him and his description of the Civil War and Institute events (the summer events) as non-LCCTC activities.

In regard to the fall Museum events, he failed to provide documentation or other evidence to support his statement that the difference between amounts he received from LVA and his payments to LCCTC and others for supplies or labor represented reimbursement for his personal expenses. He also did not have documentation to support his assertion that the payments he received from LVA for the summer Museum events were reimbursement for his costs and personal expenses. No records have been produced to support his assertion that he paid for all of the food items used at those events. Even if it is assumed that he paid for labor, equipment, non-food items and some food purchases, a substantial portion of the money he received is

unaccounted for. In effect, it appears that the food services manager operated a private business, using LCCTC resources without full documentation of the actual use, costs and charges, and without full disclosure of his financial interest in the activities. He also controlled both ends of the transactions by managing the furnishing of food services at the events and preparing, separately, LCCTC invoices and invoices given to the LVA, all without supervision, review or oversight by LCCTC officials.

Even if the information concerning the food services manager's payments and costs that was obtained by the LCCTC's accountant from the food services manager after the draft summary report was made available is considered, there is still a lack of documentation for many of the claimed expenses and substantial funds, totaling at least approximately \$37,355 that remains unaccounted for.<sup>14</sup>

LCCTC has failed to exercise adequate control over the food services manager's activities in connection with the Museum events. As a result, it may have been substantially under-reimbursed for the use of its supplies, equipment and facilities at some events and not paid at all for such use at other events, especially those held in the summer. Furthermore, we received statements that the involvement of LCCTC's students at Museum events did not provide educational benefit and may, instead, have been used by the food services manager as a convenient screen for his business activities.

The LVA may have benefited to some extent from the use of LCCTC's food supplies and equipment and the services of LCCTC's employees and students. However, the food services manager repeatedly misrepresented the actual food costs to the LVA.

The JOC and the individual school boards of the participating school districts have overall responsibility for the operation of the LCCTC. It is recommended that:

1. Appropriate and fiscally responsible policies and procedures be established for use of LCCTC food services, supplies, equipment facilities, staff and students in outside events. The procedures should include requiring written agreements subject to prior JOC approval for such activities, compliance with the Public School Code's requirements for management and use of school facilities and equipment, designation of management responsibility, full disclosure of the role and personal financial interest of LCCTC officials and employees in the activities, documentation of all costs and charges, numbered invoicing by the LCCTC business office, payment directly to the LCCTC and documentation of the educational benefits of such activities to students.
2. The LCCTC should obtain a full accounting from the food services manager and the LVA for all payments received by the food services manager in connection with LVA and Museum events, including documentation of all LCCTC supplies, equipment, staff and facilities used in connection with those activities. The food services manager should be required to reimburse the LCCTC fully for all costs incurred by the LCCTC in connection with the events. If necessary, the LCCTC should institute appropriate legal or administrative action to obtain full reimbursement.

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<sup>14</sup> This information is summarized on pp. 18-19 as part of LCCTC's response.

3. The food services manager should be required to submit complete and accurate SFIs in accordance with the requirements of the Ethics Act.
4. The LCCTC should establish procedures for monitoring and oversight of all food service activities, including regular audits of food purchases, bid and price quotes, inventories, sales and disposal of food supplies.

Copies of the final report will be sent to the Lancaster County District Attorney's office, the State Ethics Commission and other law enforcement agencies for their review and also to the Pennsylvania Historical and Museum Commission.

## **LCCTC'S RESPONSE**

On April 2, 2003, the Department received LCCTC's response, the substance of which is set out below.

### **Summary**

To the extent the problems identified by the Auditor General relate to the food services manager's work on behalf of the LCCTC, we wish to thank the Auditor General for bringing these matters to light. The LCCTC appreciates the Auditor General's assistance in properly identifying the need for greater institutional control and documentation. We shall utilize the Auditor General's report to guide development of a comprehensive action plan addressing such deficiencies. Indeed, the LCCTC has already demonstrated its commitment to address issues raised by the Auditor General. To begin with, we retained forensic accountants to conduct a thorough, independent investigation of the food services manager's activities with LVA. The accountants confirmed many of the Auditor General's findings and conclusions, were able to provide a helpful context to better understand certain issues raised by the Auditor General, and identified some important facts not addressed by the Auditor General.

LCCTC has also retained the accountants to assist in developing and implementing appropriate controls within our Culinary Arts Program, to help prevent a repeat of the problems identified by the accountants and the Auditor General.

The accountants and LCCTC's business manager were able to verify that the food services manager's failures with respect to the LVA events do not appear in connection with food services provided to other outside clients by the LCCTC's Culinary Arts Program. Although the food services manager's serious shortcomings must be (and will be) addressed by LCCTC, we want to make certain the Auditor General understands that he has worked tirelessly for many years to build the Culinary Arts Program offered at the LCCTC. He worked many extra hours on behalf of the LCCTC without additional compensation, frequently going the "extra mile" for our students and other staff members, and developed numerous activities that prepared students for careers in the food services industry. LCCTC also wants to be very clear that the quality of its instructional program has not been affected in any way as a result of the problems uncovered in these investigations. The Culinary Arts Programs continue to provide superior educational experiences and activities to students from our sponsoring school districts. Our instructional staff remains committed to providing the best "Culinary Training" experience available to young people today. The items below summarize the problems identified, and provide a basic blueprint of the corrective actions planned.

### **Unaccounted Funds/Unauthorized Use of Facilities, Equipment and Food Items**

**Background:** The Auditor General reports there is \$61,162 in unaccounted funds that the food services manager received from LVA. Viewed in the proper context, it is clear that only a portion of these funds pertain to the LCCTC. Of the total amount of unaccounted funds identified by the Auditor General, \$14,290.94 relates to LVA events during the school year, for which the food services manager arranged to have the LCCTC Culinary Arts Program provide



food services. The balance of \$46,872.56 relates to LVA events during the summer. The food services manager provided food service at these LVA summer events outside the scope of his employment with LCCTC, and outside the scope of our Culinary Arts Program (which does not even operate during the summer).

With respect to the \$14,290.94 of unaccounted funds related to school year programs handled through the LCCTC Culinary Arts Program, as part of the accountants' independent investigation they obtained documentation and verbal explanation from the food services manager (some of which was independently verified by other individuals) accounting for all but \$1,107.93. The accountants and the Auditor General uncovered several incidents where the food services manager wrongfully utilized LCCTC facilities, equipment and food supplies in connection with his personal food services provided during the summer for LVA events. He failed to request permission from LCCTC for such use and failed to pay LCCTC for such use. His use of these facilities, equipment and food supplies during the summer, for activities through which he hoped to profit personally, without permission or payment to LCCTC, was clearly not allowed.

**Corrective Action:** LCCTC has retained the accountants to assist with the development of proper controls, to prevent future incidents of this nature. Further, the LCCTC will review its policies on the use of school facilities, equipment and food supplies with its staff, ensure that such policies are clear to all concerned, and develop safeguards to help prevent any future violations. LCCTC will also seek reimbursement from the food services manager for (1) the unaccounted funds he received from LVA for events held during the school year, and (2) his unauthorized use of LCCTC facilities, equipment and food supplies in connection with his personal services provided during the summer to LVA.

### **Landis Valley Associates**

**Background:** LVA representatives told the accountants that according to the food services manager, LVA would save ten percent on the LCCTC's usual charges for food services if instead of paying LCCTC, it paid the food services manager directly (with him later making reimbursement to LCCTC). It is disappointing that LVA never addressed this issue with LCCTC. Such notice would have immediately indicated to LCCTC that the food services manager was not following standard LCCTC procedures regarding payments from outside food service clients. In saying this, however, we are also mindful that the food services manager was not forthright with LVA regarding his activities.

**Corrective Action:** We are involved in discussions with LVA regarding this situation. Also, the implementation of additional financial accounting controls will prevent reoccurrence of similar incidents.

### **Instructional Programming**

**Background:** LCCTC programs use instructional techniques and methods that can be characterized as contextual learning. Many of our educational activities involve a project-based

approach, which require students to “learn by doing.” This approach is used through the LCCTC to teach occupational skills and the knowledge/attitudes required of the profession. The LCCTC also encourages community service, and asks our staff to work with students to build interpersonal and employability skills. Although questions were raised in the Auditor General’s report as to the educational merit of the LVA projects, the LCCTC feels strongly the activity was appropriate and taught/reinforced the school’s curriculum in a manner consistent with our educational philosophy.

**Corrective Action:** To ensure future instructional activities reflect meaningful educational projects and activities, LCCTC will utilize the instructional staff and each program’s Occupational Advisory Committee to review and approve all projects undertaken by the Culinary Arts Program.

### **Administrative Oversight by LCCTC**

**Background:** The accountants and the Auditor General indicate that the LCCTC administration failed to exercise proper oversight of the food services manager’s procedures pertaining to the LVA’s events. The LCCTC agrees with their observations. An internal memo by the LCCTC’s business manager from June 1994 expressed concerns with the food services manager’s documentation and payment arrangements for the LVA school year events. The administration failed to implement necessary safeguards. Further, interviews with various staff, including the food services manager, indicate that the food services manager often reported his activities directly to the executive director. This presented challenges in properly managing the program.

**Corrective Action:** The current executive director has directed that the principal and business manager immediately begin monitoring and supervising the various food services accounts. This summer, the executive director will reorganize the LCCTC management structure, put in place a set of internal controls consistent with good accounting principles, and provide a system of checks/balances and safeguards to avoid these types of problems from happening again. The LCCTC will work with the accountants on implementing these necessary safeguards.

### **Contracting for Events**

**Background:** The Auditor General and the accountants indicate that no written agreements or contracts existed detailing the scopes of work and project specifications for any of the events held at Landis Valley. This appears to be the only event for which the LCCTC provided some kind of service that did not have any written agreement. LCCTC acknowledges its normal operating procedures were not followed, and that a contract should have been in place that detailed such activities at Landis Valley.

**Corrective Action:** In the future, LCCTC will establish a process to contract, specify, deliver and invoice all events in a manner consistent with good business practices and sound accounting practices. LCCTC will formalize pricing practices, payment of labor, purchasing of food items and use of equipment facilities. The process will include a formal contract, a quote

sheet, food related purchasing/routing system and invoicing. LCCTC will centralize these procedures through the school's business office. Further, the administration will request that an assistant business manager be hired this summer to oversee the activity accounts, state/federal grants and adult education. Currently, the LCCTC asks the secretary for each building principal to monitor these accounts, which could involve over a quarter of million dollars in one year. This delegation of duties needs to be changed when budget funds are available.

### **Statement of Financial Interests**

**Background:** The Auditor General concluded that the food services manager should have been completing annual Statements of Financial Interests pursuant to Pennsylvania Ethics Act. The food services manager had not been completing the forms until the Auditor General's investigation. This is because the regulations adopted by the State Ethics Commission, in defining the term "public employee" for the purpose of identifying public school employees required to complete the Statement of Financial Interests, mention only "school superintendents, assistants superintendents, school business managers and principals." 51 Pa. Code § 11.1.

**Corrective Action:** The LCCTC has requested advice from its solicitor on which of its employees beyond the scope of the state-published regulations should complete the Statement of Financial Interests.

We will keep the Department of the Auditor General informed of the corrective action being taken to improve the accountability procedures in the handling of services performed. Thank you for your cooperation throughout this process.

### **The Accountants' Report**

(LCCTC also submitted the report prepared by an accounting firm engaged by LCCTC. Among its findings and results were the following):

- The amounts of payments by the LVA to the food services manager determined by the accountants agree with the amounts in the OSI summary report.
- LVA officials stated that the food services manager gave them a different reason for having the checks made payable to the food services manager than the justification given by the food services manager to the accountants.
- The food services manager gave explanations of expenses he incurred in connection with the LVA events. Only two invoices were presented to support the claimed expenses. Some expenses were supported with canceled checks. The food services manager told the accountants that some of the amounts would have been supported by receipts he said he gave to the LVA; however, the LVA did not have detailed receipts to support the payments.

- According to information in the accountants' report, the total amount of the unverified and unaccounted for funds is \$37,355 based on the following:

Amount received from the LVA by the food services manager for summer events	\$ 46,873
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Amount received from the LVA by the food services manager for fall events	<u>\$ 54,161</u>
Total	\$101,034

Food services manager's costs verified by the accountants	
Summer events	\$ 21,587
Fall events (includes payments to LCCTC)	<u>\$ 42,092</u>
Total Verified Costs	\$ 63,679

Total Unverified/Undocumented Costs	\$ 37,355
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- The food services manager told the accountants that he inflated prices and/or food quantities on invoices he gave to the LVA to provide cash to pay students, employees and himself.

## **THE DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS**

LCCTC has taken a comprehensive series of steps to correct the problems disclosed in the Department's investigation. Implementation of the corrective actions will be reviewed as part of the Department's regular audits of LCCTC. The following comments apply to several specific matters included in the responses:

### **Unaccounted for funds**

The investigation found that the food services manager received approximately \$14,290 from LVA in connection with fall events at the Landis Valley Museum which was not turned in to LCCTC and not accounted for by the food services manager. While the food services manager claimed that he incurred personal expenses in connection with those events (still leaving \$1,107 unaccounted for), he provided virtually no documentation in the form of receipts, bills or invoices, to our investigator or LCCTC's accountants to support his claims. The claimed expenses included cash payments to LCCTC staff and students, for which there is some support, but which are not documented. According to the LCCTC's accountants' report, the amount the food services manager claims to have paid students per day was two and one-half times (\$50 vs. \$20) the agreed-upon amount. Furthermore, the food services manager obtained the funds he claimed as expenses in large part by secretly inflating charges on bills submitted to LVA.

The food services manager used LCCTC facilities, equipment and food at the summer events while failing to provide back-up documentation for more than half of his claimed expenses, resulting in thousands of dollars of other unaccounted for costs. It must also be noted, that, as far as the LVA was concerned, the services provided to the LVA by the food services manager during the summer events were LCCTC activities.

For all of those reasons, we continue to question the food services manager's statements concerning the disposition of the funds included in the report. In any case, even by the LCCTC's accountants' calculations, the amount of unverified funds is at least \$37,355.

### **The LVA's failure to pay LCCTC directly**

We share the LCCTC's concerns regarding this questionable practice. A copy of the report is being provided to the Pennsylvania Historical and Museum Commission for appropriate action. At the same time, it should be noted that LCCTC took no effective action to find out why payments were not being made directly to LCCTC or to contact the LVA to discuss the matter.<sup>15</sup>

### **Statement of Financial Interests**

As stated in the Summary section of the Report, the Ethics Act requires public employees of the Commonwealth or political subdivisions who are responsible for taking or recommending action of a non-ministerial nature with regard to activities including contracting or procurement, or any other activity where the official action has an economic impact of greater than de minimus nature on the interests of any person, to file annual Statements of Financial Interests listing direct and indirect sources of income.<sup>16</sup>

The food services manager's duties included contracting and procurement of food supplies as well as the Landis Valley Museum events, all of which had a substantial economic impact on the interests of himself and others. We agree with the statement in the LCCTC response that the cited regulation does not mention the position of food services manager.<sup>17</sup> However, the listed job titles are not all-inclusive. In any case, the issue ultimately is one to be addressed by the State Ethics Commission in its review of the final report.

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<sup>15</sup> According to LCCTC records, in 1994, the business manager brought to the attention of the then-executive director the fact that the food services manager was handling transactions concerning activities at Landis Valley Museum himself. We found no evidence that any follow-up action was taken. The current executive director has been in the position since September 2002, several months after the beginning of the investigation.

<sup>16</sup> 65 Pa. C.S. §§ 1102, 1104 and 1105.

<sup>17</sup> 51 Pa. Code § 11.1.

## **DISTRIBUTION LIST**

This report was distributed initially to the members of the Joint Operating Committee, Superintendent of Record, Executive Director and Solicitor for LCCTC and to the following:

The Honorable Vicki L. Phillips, Ed.D  
Secretary of Education  
Pennsylvania Department of Education

The Honorable Barbara Hafer  
State Treasurer

The Honorable Mike Fisher  
Attorney General

John Wesley  
Acting Executive Director  
Pennsylvania Historical and Museum Commission

The Honorable Donald R. Totaro  
Lancaster County District Attorney

John J. Contino, Executive Director  
State Ethics Commission

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