



**A Special Investigation of**

# **THE SCHOOL DISTRICT OF LANCASTER**

**August 2006**

===== **AUDITOR GENERAL JACK WAGNER** =====

**PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL**

August 28, 2006

Board of School Directors  
School District of Lancaster  
1020 Lehigh Avenue  
Lancaster, Pennsylvania 17602

Dear School Board Members:

The Department of the Auditor General's Office of Special Investigations ("OSI") has completed a special investigation of the billing practices of an educational consultant hired by the School District of Lancaster ("District"). OSI's investigation of these allegations included interviews of current District officials and employees, reviews of District records, and reviews of vendor invoices. Our investigation reviewed a series of actions, occurrences, transactions, and events that occurred during the period of May 9, 2000 through March 23, 2006, unless otherwise noted.

During the course of this investigation, we found the following:

- Community Action Program of Lancaster County ("CAP"), which was the District's largest provider of after-school programs, could not provide documentation to justify amounts billed for services rendered. CAP's billing practices are currently the subject of litigation between CAP and the District.
- An Administrator who was employed by the District appears to have violated the Public Official and Employee Ethics Act ("Ethics Act") by not properly disclosing that she was also a member of CAP's board of directors and by not conducting herself in accordance with the restrictions set forth in the act. This individual resigned from CAP's board of directors on May 25, 2005, and recently resigned from employment with the District effective September 8, 2006.
- The Former President of the Board of School Directors ("Board") appears to have violated the Ethics Act by using the authority of her office to pressure District personnel to pay disputed invoices issued by CAP, an organization of which she was also a salaried employee. This individual continues to serve both as a member of the Board (although not as the Board's president) and as an employee of CAP.

This report also discusses allegations that the District's current superintendent, solicitor, and several other Board members had each engaged in conduct that would constitute a conflict of interest. We found such allegations to be unfounded.

The District's current superintendent and business manager are to be commended both for their full cooperation with this investigation and for their efforts to promptly institute the corrective measures recommended in OSI's investigative report of December 2004. The District's improved monitoring of its educational consultants ultimately resulted in the District discovering the deficiencies and conflicts noted in this report. We also note that the actions of the current superintendent and business manager required a considerable measure of courage and steadfastness in the face of pressure of the type described in this report.

We trust that the current Board, under the leadership of a new president, will continue its recent efforts to be more diligent in its oversight of all current and future Board members, District employees, and educational consultants hired by the District to ensure that any potential conflicts of interest that may be discovered will be addressed appropriately and promptly. We further trust that the Board will be diligent in its oversight of vendors of services to the District to ensure that they do not engage in conduct that violates the Ethics Act or other applicable laws and that they fulfill their contractual obligations to the District.

We urge the District to implement all of the recommendations made in this report and commend the District for its commitment to do so. The Department of the Auditor General will follow-up at the appropriate time to determine whether our recommendations have been implemented. Given the seriousness of the findings in this report and in our previous investigations of the District, the District's image and its ability to fulfill its educational mission are at stake.

We also urge the Former President to voluntarily comply with the recommendations in this report, cooperate with corrective actions taken by the District, and cooperate with other government agencies that may investigate this matter based on our referrals.

This report is a public document and its distribution is not limited. Additional copies may be obtained through the Department's website, *www.auditorgen.state.pa.us*.

Sincerely,

/S/

**JACK WAGNER**  
Auditor General

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## EXECUTIVE SUMMARY

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FINDINGS	RECOMMENDATIONS
<p><b><u>FINDING I:</u></b></p> <p>Community Action Program of Lancaster County, which was the District's largest provider of after-school programs, could not provide documentation to justify amounts billed for services rendered.</p> <p><i>Please note that CAP's billing practices are currently the subject of litigation between CAP and the District.</i></p>	<p>We recommend that the District:</p> <ul style="list-style-type: none"><li>• Continue to be diligent in its monitoring of the services rendered by all of the educational consultants with whom the District contracts;</li><li>• Scrutinize all invoices from all of its educational consultants to ensure that they meet the District's requirements, and refuse to expend public funds to pay for services that are not properly and fully documented; and</li><li>• Continue to revise and strengthen its contracts with educational consultants to include a requirement that all invoices be fully documented.</li></ul> <p>We are forwarding copies of this report to the Pennsylvania Department of Education and the U.S. Department of Education's Office of Inspector General for whatever action those agencies may deem appropriate.</p>
<p><b><u>FINDING II:</u></b></p> <p>An Administrator who was employed by the District appears to have violated the Public Official and Employee Ethics Act by not properly disclosing that she was also a member of CAP's board of directors and by not conducting herself in accordance with the restrictions set forth in the act.</p>	<p>We recommend that the Board:</p> <ul style="list-style-type: none"><li>• Institute measures to ensure that all District personnel who are required by law to file Statements of Financial Interests ("SFIs") complete and file them by the deadlines imposed by law;</li><li>• Institute measures to ensure that all SFIs filed with the District are reviewed annually to make certain that any potential conflicts or other Ethics Act violations are addressed and brought into conformity with the law; and</li><li>• Enforce its Code of Ethics, which expressly prohibits the types of conflicts of interest described in this finding.</li></ul>

<p><i>Please note that this individual resigned from CAP's board of directors on May 25, 2005, and recently resigned from employment with the District effective September 8, 2006.</i></p>	<p>We are forwarding copies of this report to the State Ethics Commission and the Pennsylvania Department of Education for whatever further action they may deem appropriate.</p>
<p><b><u>FINDING III:</u></b></p> <p>The Former President of the Board appears to have violated the Ethics Act by using the authority of her office to pressure District personnel to pay disputed invoices issued by CAP, an organization of which she was also a salaried employee.</p> <p><i>Please note that this individual continues to serve both as a member of the Board and as an employee of CAP.</i></p>	<p>We recommend that the District's solicitor expand his opinion letter to the Board dated December 16, 2003, to include an explicit admonition to the Former President that she must refrain from using the authority of her office to confer pecuniary benefits on her employer.</p> <p>We are forwarding a copy of this report to the State Ethics Commission for whatever further action it may deem appropriate. We also urge the Ethics Commission to open an investigation of its own to gather the facts about the nature of CAP's activities that will allow the Commission to make a definitive determination on the issue of whether CAP is a "business" within the meaning of the Ethics Act.</p> <p>In addition, we are forwarding copies of this report to the U.S. Department of Education's Office of Inspector General and to the Office of the U.S. Attorney for the Eastern District of Pennsylvania for whatever action those agencies may deem appropriate.</p>
<p><b><u>ADDITIONAL COMMENTS:</u></b></p> <p>During this investigation, the Former President alleged that the District's current superintendent, its solicitor, and three other members of the Board had conflicts of interest with organizations that had contracts with the District. OSI investigated these allegations and determined that they are unfounded.</p>	

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## BACKGROUND AND INTRODUCTION

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The Department of the Auditor General (“Department”) has the authority and responsibility under the Fiscal Code to audit entities that receive state funds.<sup>1</sup> In December 2004, the Department’s Office of Special Investigations (“OSI”) issued a report that found, among other things, that the School District of Lancaster (“District”) had failed in its selection, monitoring, and oversight of education consultants.<sup>2</sup>

The December 2004 report recommended that the District’s agreements with its educational consultants should include provisions requiring that invoices submitted by consultants include detailed information regarding specific services, dates and places of services, and references to required documentation, such as reports.

The District is located entirely within the city limits of the City of Lancaster, encompassing an area of 10.6 square miles. It is the second oldest school district in the Commonwealth, employing a staff of 1,400 to provide educational services to 11,200 students in 13 elementary schools, 4 middle schools, 2 alternative schools, and a single high school campus. Its budget for the 2006-2007 school year is \$137.6 million.

In April 2005, OSI received an allegation of questionable billing practices by Community Action Program of Lancaster County (“CAP”), which was the largest vendor of after-school programs to the District. Specifically, it was alleged that the invoices submitted by CAP did not support the amounts claimed to be due for services rendered. The District’s administration had refused to pay the invoices due to inadequate documentation. CAP’s billing practices are currently the subject of litigation between CAP and the District.

OSI also received allegations of possible conflicts of interest regarding CAP. One such allegation was that the former president (“Former President”) of the Board of School Directors (“Board”), who was also an employee of CAP, had pressured the District’s administration to drop its challenges to the questionable invoices and pay CAP in full. The Former President continues to serve both as a member of the Board and as an employee of CAP. Another allegation was that an administrator who was employed by the District, whose job duties included monitoring the contracts with CAP, served on CAP’s board of directors. This administrator resigned from CAP’s board of directors on May 25, 2005, and recently resigned from employment with the District effective September 8, 2006.

During our investigation, the Former President herself alleged that the District’s superintendent, solicitor, and three other Board members also had conflicts of interest because those individuals were either employed by or served as members of the boards of directors of

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<sup>1</sup> Act of April 9, 1929, P.L. 343, No. 176, Section 403, as amended, 72 P.S. § 403 (The Fiscal Code).

<sup>2</sup> Department of the Auditor General, *Summary Report: The School District of the City of Lancaster*, December 2004.

organizations that did business with the District. We determined that these allegations are unfounded, as discussed at length in the “Additional Comments” section of this report.

OSI’s investigation of all of these allegations included interviews of current District officials and employees, reviews of District records, and reviews of vendor invoices. Our investigation reviewed a series of actions, occurrences, transactions, and events that occurred during the period of May 9, 2000 through March 23, 2006, unless otherwise noted.

The District was provided with a draft copy of this report for its review and comment. The District’s response is included at the end of this report, followed by a separate response submitted on behalf of the Former President by her attorney. We then present this Department’s comments on both responses.



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## FINDINGS AND RECOMMENDATIONS

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**FINDING I:      Community Action Program of Lancaster County, which was the District's largest provider of after-school programs, could not provide documentation to justify amounts billed for services rendered.**

On September 21, 2004, and October 19, 2004, the District entered into two contracts with a vendor by the name of Community Action Program of Lancaster County to act as an educational consultant and to provide after-school programs to the District's schools. CAP was founded and incorporated in 1966 as a non-profit organization by a group of community leaders. It is governed by a board of directors comprised of local elected and appointed government officials and advocates for the poor. Its mission is to help low-income families and individuals become self-sufficient.

According to the Former President of the District's Board during an interview on March 17, 2006, CAP's business relationship with the District dates back to the 1990s. During the period investigated, CAP provided the following programs and services to the District and to the community at large: Childhood Development, Head Start/Day Care, Outreach Services, Family Center, Senior Centers, Food Distribution, WIC (Women, Infants, and Children), Domestic Violence Services, and programs made possible by the 21<sup>st</sup> Century Community Learning Center Grants. As of the date of this report, CAP provides only Early Reading First, Head Start/Day Care, and Family Center programs and services to the District.

The 21<sup>st</sup> Century Community Learning Center programs are a key component of Title IV, Part B of the federal No Child Left Behind Act.<sup>3</sup> The programs are designed for students and their families to continue to learn new skills and discover new abilities after the school day has ended. The programs provide tutors and other academic support activities. The grants are federally funded and administered through the Pennsylvania Department of Education.

The District contracted with CAP to receive LIFE After-School Programs under the 21<sup>st</sup> Century Learning Center Grants that are targeted at students and their families at particular school sites and are intended to improve achievement, attendance, and student conduct through quality after-school programs.

OSI reviewed the two contracts between the District and CAP regarding the LIFE After-School Programs. First, the District contracted with CAP to provide LIFE After-School Programs for the period October 1, 2004 through September 30, 2005 at six school sites within the District for \$544,550. Secondly, the District contracted with CAP to provide the same types of programs for the period November 1, 2004 through September 30, 2005 at four additional school sites for \$296,440. OSI received an allegation that CAP was not supplying the District

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<sup>3</sup> P.L. 107-110, January 8, 2002, 115 Stat. 1425, "No Child Left Behind Act of 2001."

with documentation needed to support invoices for services rendered, and was either overbilling the District or failing to provide promised services, or both.

At about the same time that the District entered into these contracts with CAP, it was in the process of hiring a new business manager and was conducting a complete review of all vendors of educational consulting services. In an interview on April 27, 2005, the District's new business manager (his formal title is "Director of Finance," but he is commonly referred to as the district's "business manager") stated that when he began his employment with the District in December 2004, one of the first things he did was to conduct a complete review of all vendors doing business with the District and to put together a list of changes that those vendors needed to make regarding their billing practices that would better accommodate the District's needs.

When OSI began to investigate the allegations regarding CAP in April 2005, we asked the District to produce all invoices submitted by CAP relating to the 21<sup>st</sup> Century LIFE After-School program. The invoices produced by the District and the contract periods and amounts are listed in Table 1 below:

**Table 1**  
***21<sup>st</sup> Century LIFE After-School Program Invoices Reviewed by OSI***

<b>Period (Month and Year) of Invoiced Service by CAP</b>	<b>Contract Number*</b>	<b>Total Dollar Amount of Invoiced Service by CAP</b>
October 2004	No. 1	\$28,801.44
November 2004	No. 2	\$14,818.61
November 2004	No. 1	\$33,005.68
December 2004	No. 2	\$16,910.79
December 2004	No. 1	\$47,867.67
January 2005	No. 2	\$37,279.65
January 2005	No. 1	\$40,299.54
February 2005	No. 2	\$20,301.82
February 2005	No. 1	\$37,307.10
March 2005	No. 2	\$21,066.82
March 2005	No. 1	\$43,009.24
<b>TOTAL</b>		<b>\$340,668.36</b>

\* Contract No. 1 was for the period October 1, 2004 through September 30, 2005, and Contract No. 2 was for the period November 1, 2004 through September 30, 2005.

OSI's examination of these records found that the following items of supporting documentation were not included on or with the invoices:

- Under the invoice category "Program Purchase Expenses," the name of the particular CAP employee who made the purchase under the following subcategories:
  - "Purchased Services, Other"
  - "Program Supplies"

- “Phone”
  - “Postage”
  - “Advertising”
  - “Out of Town Travel”
- The number of hours, and associated dates, that each CAP employee worked on the program.
  - The site (i.e., the school building or other site of service) and date associated with each site, at which each CAP employee worked on the program.
  - Timesheets for each CAP employee who provided services during the month invoiced.
  - A listing of students who attended the program per day and per school.
  - Receipts for out-of-pocket expenses incurred during the invoice period, as well as an explanation of the reasons the expenses were incurred and how the expenses related to the program.
  - For vehicle expense claims, the beginning and ending odometer readings, the total program-related miles traveled, and the date, purpose, and destination of the travel.
  - A detailed explanation of “indirect costs” associated with each CAP invoice.

At a meeting on May 16, 2005, OSI told the District’s business manager that, in order for OSI to conduct a comprehensive review of the 21<sup>st</sup> Century LIFE After-School Program, OSI would need to obtain the missing information that was not included on or with the invoices. The District’s business manager stated that he met with CAP’s business manager on January 28, 2005 to discuss the invoice requirements that CAP must comply with in the future in order to receive payment, and that they mutually agreed at that meeting that future invoices would include the following information:

- The name of the CAP employee being billed for.
- The number of hours, by date, that the individual worked on the account.
- The location, by date, at which the individual worked on the account.
- The amount invoiced.
- Receipts and indication of business purpose for out-of-pocket expenditures.

The District’s business manager stated that they had also agreed that summary information must be supported by timesheets, which must include a brief description of work completed. CAP did not have to include timesheets with each invoice submission, but the District insisted on the ability to audit the timesheets as needed. In addition, they agreed that mileage charges must be supported by appropriate documentation indicating the individual, date, origin and destination, miles driven, and amount.

However, OSI noted that the invoices submitted by CAP for the months of January, February, and March 2005 did not include all of the information the two business managers had purportedly agreed upon at their January 28, 2005 meeting. In June 2005, the District's business manager forwarded to OSI the CAP timesheets for January, February, and March 2005 corresponding to the CAP invoices for those months.

Again, OSI told the District's business manager that the supporting documentation was not sufficient for OSI to make a determination. According to the District's business manager, several months elapsed after the January 28, 2005, meeting before CAP finally agreed to submit any additional documentation to support the invoices. He further stated that, on August 5, 2005, he accepted and approved a draft format for invoice submission by CAP, and that he reaffirmed this approval to CAP's business manager at a meeting on August 9, 2005.

In September 2005, the District's business manager contacted OSI and stated that, on September 7, 2005, he received from CAP the invoices for the months of January through July 2005, for both contracts, in the new format. OSI requested and received the new January, February, and March 2005 invoices and compared them with the invoices originally submitted for those months. The results of this analysis revealed major discrepancies between the invoices originally submitted and the invoices submitted in the new format:

- The second CAP submission of the January 2005 invoices indicated total billed services of \$77,189.19, whereas the initially submitted invoices for the same period indicated total billed services of \$77,579.19, or a decrease of \$390 dollars in billed services.
- The second CAP submission of the February 2005 invoices indicated total billed services of \$58,093.36, whereas the initially submitted invoices for the same period indicated total billed services of \$57,608.92, or an increase of \$484.44 dollars in billed services.
- The second CAP submission of the March 2005 invoices indicated total billed services of \$63,076.06, whereas the initially submitted invoices for the same period indicated total billed services of \$64,076.06, or a decrease of \$1,000 dollars in billed services.
- The second submission of CAP invoices for the months of January, February, and March 2005 indicated 71.50 more hours of services provided than timesheets previously reviewed by OSI showed for the same period.
- The second submission of CAP invoices for the months of January, February, and March 2005 had discrepancies in dollar amounts and/or classification of "subcontractor" and "program supplies" expenses billed as compared with previous invoices submitted for the same period.

- The second submission of CAP invoices for the months of January, February, and March 2005 did not have accompanying receipts for expenses listed on the invoices and an explanation for the expense.
- The second submission of CAP invoices for the months of January, February, and March 2005 did not include a complete listing, by date and by school, of students who attended the programs.
- The second submission of CAP invoices for the months of January, February, and March 2005 did not include the beginning and ending odometer readings, total program-related miles traveled, and the purpose and destination for the travel by day and by CAP contractor and/or subcontractor for vehicle expenses.
- The second submission of CAP invoices for the months of January, February, and March 2005 did not include a detailed explanation of indirect costs associated with each CAP employee.

The numerous discrepancies noted in the second submission of invoices by CAP, as well as the fact that the invoices still were not supported by all of the documentation needed to justify the amount billed, raises questions about the reliability of all the invoices submitted by CAP.

The dispute over the invoices remains unresolved. CAP had billed the District for more than \$535,000 worth of 21<sup>st</sup> Century LIFE After-School Program services for the months of January through September 2005 which the District refused to pay because, according to the Board, “despite repeated efforts by [the District] – CAP has been unable, for many months now, to provide consistent, reliable financial information to the School District of Lancaster.”<sup>4</sup> A lawsuit brought by CAP against the District for payment of these bills is pending in the Court of Common Pleas of Lancaster County.<sup>5</sup>

### **Conclusions and Recommendations:**

The District had over \$840,000 in contract commitments with CAP for the 21<sup>st</sup> Century LIFE After-School Program for the period October 1, 2004 through September 30, 2005. As a matter of fiscal responsibility to the taxpayers of the District, the Commonwealth, and the federal government, the District must continue to scrutinize all invoices from educational consultants, including necessary supporting documentation, before payment is made in order to ensure that money is disbursed only for services that are actually rendered.

OSI questions the reliability of all the invoices submitted by CAP due to CAP’s inability to produce the evidence needed to justify services billed and the fact that the discrepancies in

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<sup>4</sup> Letter dated September 13, 2005 from the chairs of the Board’s Finance Committee and Education Committee to CAP’s Acting Executive Director.

<sup>5</sup> Community Action Program (CAP) of Lancaster County vs. School District of Lancaster, Docket # CI-06-01437, filed on February 17, 2006. The litigation and the LIFE After-School Programs are further discussed in the District’s response to this report.

billable totals from the first invoice submission to the second invoice submission could not be reconciled. During the period selected for review, it is impossible to determine exactly what services, on what dates, and provided by what CAP employee(s) were included in CAP invoices totaling \$340,668.36. Because of the absence of adequate proof of what portion of the contracted-for services were actually rendered during the time period investigated and for prior years, the District appears fully justified in withholding payment pending a judicial resolution of the dispute.

We recommend that the District:

- Continue to be diligent in its monitoring of the services rendered by all of the educational consultants with whom the District contracts;
- Scrutinize all invoices from all of its educational consultants to ensure that they meet the District's requirements, and refuse to expend public funds to pay for services that are not properly and fully documented; and
- Continue to revise and strengthen its contracts with educational consultants to include a requirement that all invoices be fully documented.

A copy of this report will be forwarded to the Pennsylvania Department of Education for whatever action it may deem appropriate. Because the federal government is a source of the funding for the program in question, a copy of this report will also be forwarded to the U.S. Department of Education's Office of Inspector General for whatever action it may deem appropriate.

**FINDING II: An Administrator who was employed by the District appears to have violated the Public Official and Employee Ethics Act by not properly disclosing that she was also a member of CAP’s board of directors and by not conducting herself in accordance with the restrictions set forth in the act.**

The Public Official and Employee Ethics Act<sup>6</sup> (“Ethics Act”) requires public officials and certain public employees, including school district employees, to file an annual Statement of Financial Interest (“SFI”).<sup>7</sup> Among the information that school district employees are required to disclose on the SFI is “any office, directorship, or employment of any nature whatsoever in any business entity.”

OSI received an allegation that a certain administrator, whose most recent position with the District was as the Elementary Strategy and Resource Development Coordinator (“Administrator”), served on the board of directors of CAP and was – at the same time – the contract administrator on behalf of the District for several CAP contracts, but did not properly disclose her relationship on her SFIs or to the District’s superintendent, business office, or Board. It was further alleged that the Administrator’s conduct may have violated several provisions of the Ethics Act.

The Administrator resigned from CAP’s board of directors on May 25, 2005 at the request of the District’s Board upon the recommendation of the District’s solicitor. According to the District’s response to a draft copy of this report, the Administrator has resigned from employment with the District effective September 8, 2006.

OSI interviewed the Administrator and reviewed the SFIs she filed with the District and several of the CAP contracts she administered. In an interview held on March 16, 2006, the Administrator stated that:

- She has been employed at the District since 1988 and has held a variety of positions at the District, including assistant principal, principal, and early childhood and Title I coordinator.
- She holds a Level I and II instructional certificate, an elementary administrator’s Level I certificate, a superintendent’s certificate, a reading specialist’s certificate, and a speech language pathologist certificate.
- She works with CAP in the Head Start Program, and performs duties and responsibilities for numerous sub-programs under Head Start that include the Success by Six, Pre-K Partnership, and Early Reading First programs.
- She served on CAP’s board of directors from May 9, 2000 through May 25, 2005, when she resigned at the request of the District’s Board.
- She took another former District employee’s spot on CAP’s board, and the District’s then-superintendent (not to be confused with the District’s current superintendent)

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<sup>6</sup> Act of October 15, 1998, P.L. 729, No. 93, 65 Pa.C.S. § 1101 *et seq.* (Public Official and Employee Ethics Act).

<sup>7</sup> 65 Pa.C.S. § 1104.

was aware of her position and the other former employee's position and approved of their service and position on CAP's board.

- She was unpaid for her services as a member of CAP's board.
- She was unaware whether or not the current superintendent, Board members, and other administrators had knowledge of her position on CAP's board prior to her resignation on May 25, 2005.
- She also has served on the board of directors of two other community organizations in an unpaid capacity, one since 2003 and the other since 2004. While serving as member of those boards, she has written grants requesting monies from state and local governments that are intended to improve the arts.<sup>8</sup>

Further information from this interview will appear in the discussion that follows.

### **Contracts Between the District and CAP**

OSI reviewed several contracts between the District and CAP, from 2003 to present, that list the Administrator as the "Contract Administrator" and/or "Contract Cost Center Manager." Table 2 identifies the contracted programs, contract periods, and contract totals between the District and CAP.

**Table 2**  
***School District Contracts with CAP for Head Start Programs***

<b>Program</b>	<b>Contract Period</b>	<b>Contract Amount</b>
Even Start Program	September 3, 2003 – June 30, 2004	\$31,983.00
Head Start-Early Reading First	October 1, 2003 - September 30, 2004	\$40,996.00
Head Start-Early Reading First	October 1, 2004 - September 30, 2005	\$71,013.14
Head Start-Early Reading First	December 22, 2004 – June 30, 2005	\$33,095.25
Head Start-Early Reading First	July 1, 2005* – August 31, 2006	\$58,533.50
Head Start-Early Reading First	July 1, 2005* – September 30, 2006	\$203,730.92
Head Start-Early Reading First	July 1, 2005* – September 30, 2006	\$361,064.37
<b>Total dollar amount of CAP contracts monitored by the Administrator since 2003</b>		<b>\$800,416.18</b>

*\* Even though these contracts commenced after the Administrator resigned from CAP's board of directors on May 25, 2005, she was involved in negotiating contract terms and she signed off on these contracts in her official capacity and recommended their approval by the District's Board prior to her resignation from CAP's board.*

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<sup>8</sup> OSI found no evidence that the District had contracted with either of these organizations.



In the interview of March 16, 2006, the Administrator further stated that:

- Her duties as a contract administrator/program director for the Head Start programs and subprograms at the District include monitoring spending, budgets, professional development, resources, assessment requirements, and other specific program services/requirements under the grants used to pay for the Head Start program.
- She does review invoices submitted by CAP, but does not approve the financial piece of the invoice.
- She has performed these duties for the Head Start programs at the District since 2000.

OSI also found evidence that the Administrator was specifically involved in negotiating contracts with CAP. In an interview held on November 15, 2005, the District's federal/external funding compliance coordinator stated that:

- The Administrator, who was a management employee, negotiated contracts with CAP for the Head Start program.
- The Administrator negotiated with teachers providing CAP services in the Head Start program for hourly pay increases.
- When questioned by the District's federal/external funding compliance coordinator and other District administrators as to the justification for such pay increases, the Administrator was insistent that the pay increases be implemented.
- The Administrator was very vocal in defending how she administered the program and was very resistant to any changes to the program's format proposed by him and other District administrators.
- This individual thought that the Administrator was being so vocal and resistant because she was passionate about her work, until he discovered that she served on CAP's board of directors.

#### **Statements of Financial Interest filed by the Administrator**

In the interview of March 16, 2006, the Administrator also stated that:

- She believed she had filed SFIs at the District for every calendar year since 1999.
- There was never a year when she did not file the SFI.
- All of the necessary information was included on each SFI.

However, our review of the SFIs filed by the Administrator with the District since calendar year 2000 revealed the following:

- OSI found SFIs on file with the District only for the calendar years 2000 and 2004.<sup>9</sup>
- SFIs for calendar years 2001,<sup>10</sup> 2002, and 2003 should have been filed by her because she was a "public employee"<sup>11</sup> of the District, but they were not found in the District's files.

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<sup>9</sup> Calendar year 2005 SFIs were required to be filed by May 1, 2006, and therefore were not yet available as of the conclusion of fieldwork for this report.

- She did not disclose on the SFIs filed for calendar years 2000 and 2004 that she served on CAP's board.
- She did not disclose on the SFIs filed for calendar years 2000 and 2004 that she served on the boards of directors of the other two community organizations that she discussed in her interview with OSI.

### **Conclusions and Recommendations:**

OSI found significant evidence that the Administrator appears to have committed several Ethics Act violations, including the following:

- For calendar years 2001, 2002, and 2003, the Administrator's SFIs were not on file with the secretary of the Board as required by the Ethics Act.
- For calendar years 2000 and 2004, the SFIs filed by the Administrator did not contain the necessary disclosures of "any office, directorship or employment of any nature whatsoever in any business entity."<sup>12</sup> The Administrator should have disclosed that she served as member of CAP's board of directors.
- The Administrator appears to have engaged in conduct that constitutes a "conflict of interest" under the Ethics Act.<sup>13</sup> The fact that the Administrator, while serving on CAP's board of directors, was also the contract administrator on behalf of the District for several CAP contracts totaling more than \$800,000, was involved in negotiating these contracts, and signed the contracts as a representative of the District, could well have resulted in the type of pecuniary benefit to CAP that is prohibited by Section 1103(a) of the Ethics Act.
- Acting as the contract administrator on behalf of the District with regard to CAP contracts appears to be in violation of the provisions of Section 1103(f) of the Ethics Act.<sup>14</sup>

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<sup>10</sup> OSI's December 2004 report contained a finding citing the District for not having any SFIs for the year 2001 on file for any District personnel (Board member or employee) other than the then-superintendent. In its response to the 2004 report, the District stated that it would obtain the missing SFIs for 2001. However, the District could not provide us with SFIs for 2001 during this investigation.

<sup>11</sup> The Ethics Act, 65 Pa.C.S. § 1102 ("Definitions"), provides, in pertinent part:

"Public employee." Any individual employed by . . . a political subdivision who is responsible for taking or recommending official action of a nonministerial nature with regard to:

- (1) contracting or procurement;
- (2) administering or monitoring grants or subsidies;

\* \* \*

- (5) any other activity where the official action has an economic impact of greater than a de minimis nature on the interests of any person.

<sup>12</sup> 65 Pa. C.S.A. § 1105.

<sup>13</sup> 65 Pa. C.S.A. § 1103.

<sup>14</sup> 65 Pa.C.S. § 1103(f) provides, in pertinent part (with emphasis added):

No public . . . employee . . . or any business in which the person . . . is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public . . . employee is associated, unless the contract has been awarded through an open and public process .

Accordingly, we recommend that the Board:

- Institute measures to ensure that all District personnel who are required by law to file SFIs complete and file them by the deadlines imposed by law;
- Institute measures to ensure that all SFIs filed with the District are reviewed annually to make certain that any potential conflicts or other Ethics Act violations are addressed and brought into conformity with the law; and
- Enforce its Code of Ethics, which expressly prohibits the types of conflicts of interest described in this finding.<sup>15</sup>

A copy of this report will be forwarded to the State Ethics Commission and the Pennsylvania Department of Education for whatever further action they may deem appropriate, including a definitive determination by the Ethics Commission as to whether the Administrator's actions violated the Ethics Act.

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*... In such a case, the public . . . employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.*

<sup>15</sup> *Code of Ethics – Policy 140*, adopted October 23, 2001.

**FINDING III: The Former President of the Board appears to have violated the Ethics Act by using the authority of her office to pressure District personnel to pay disputed invoices issued by CAP, an organization of which she was also a salaried employee.**

In addition to requiring every public official, including school board members, to file an annual SFI, the Ethics Act also prohibits public officials from engaging in certain restricted activities. This finding discusses issues under Sections 1103(a), (f), and (j) of the Ethics Act, which provide, in pertinent part:

**§ 1103. Restricted activities**

**(a) Conflict of interest.** — No public official . . . shall engage in conduct that constitutes a conflict of interest.

\* \* \*

**(f) Contract.**—No public official . . . or any business in which the person . . . is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official . . . is associated . . ., unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official . . . shall not have any supervisory or overall responsibility for the implementation or administration of the contract.

\* \* \*

**(j) Voting conflict.** — . . . Any public official . . . who in the discharge of his official duties would be required to vote on a matter that would result in a conflict of interest shall abstain from voting and, prior to the vote being taken, publicly announce and disclose the nature of his interest as a public record in a written memorandum filed with the person responsible for recording the minutes of the meeting at which the vote is taken....<sup>16</sup>

“Conflict of interest” is defined in Section 1102 of the Ethics Act, in pertinent part, as follows:

**§ 1102. Definitions**

\* \* \*

“Conflict” or “conflict of interest.” Use by a public official . . . of the authority of his office . . . or any confidential information received through his holding public

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<sup>16</sup> 65 Pa. C.S. § 1103(a), (f), (j).

office . . . for the private pecuniary benefit of himself . . . or a business with which he . . . is associated.<sup>17</sup>

OSI received an allegation that the Former President of the District's Board, who is currently still a member of the Board, has a conflict of interest because she served on the Board at the same time that she was working as a salaried employee of CAP, a vendor of consulting services to the District. This individual continues to serve both as a member of the District's Board (although not as the Board's president) and as an employee of CAP.

It was further alleged that the Former President had exerted pressure on District administrators to pay invoices submitted by CAP for services purportedly rendered to the District pursuant to various contracts, even though there was an ongoing and unresolved dispute between the District and CAP over whether CAP had overbilled the District or failed to provide promised services, or both.<sup>18</sup>

During the course of this investigation, OSI interviewed the Former President and reviewed the SFIs that she filed with the District. OSI also interviewed several other District officials and employees and reviewed contracts, minutes of Board meetings, and other records.

Documents reviewed by OSI indicated that CAP had multiple contracts with the District totaling over \$2.1 million for the period June 1, 2003 through September 30, 2005. These contracts required CAP to provide 21<sup>st</sup> Century Learning Center, Early Reading First/Head Start, and Family Center grant programs and sub-programs to the District.

The Former President was interviewed by OSI on March 17, 2006 in the presence of her attorney. In response to questions, she provided the following background information:

- In December 1999, she was elected to the District's Board.
- In August 2002, she began employment with CAP as the director of the Lancaster Family Center ("Center"), a position that she continues to hold.
- In her employment with CAP, she oversees the day-to-day operations of the Center, a program that provides services to families throughout Lancaster County.
- In December 2003, she was elected as president of the Board.
- She chose not to seek reelection as Board president and stepped down from this position in December 2005.
- Her current term on the Board expires in December 2007.

Further information from this interview will appear in the discussion that follows.

### **Lancaster Family Center**

A description of the activities of the Center appears on CAP's website:

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<sup>17</sup> 65 Pa.C.S. § 1102.

<sup>18</sup> This billing dispute is discussed in Finding I.

The [Family] Center is a collaborative effort between the County of Lancaster and the School District of Lancaster, with CAP serving as the operating agency. The purpose of the program is to prevent child abuse, encourage parent involvement in the child's education and to assist families in becoming self sufficient.<sup>19</sup>

In the March 17, 2006 interview, the Former President stated:

- The Center is funded primarily by the Pennsylvania Department of Public Welfare, and her salary comes from those funds, not from the District through the CAP contract.
- Legislation was enacted in the 1990s that required the local community and county to match 10% of the funds needed for the Center's operation.
- As a result of this legislation, the District provides \$25,000 to the Center, which is the District's portion of the 10% matching funds.

OSI reviewed the payments made by the District to CAP for Center operations for the last three fiscal years. On September 30, 2003, the District made a lump sum payment of \$25,000 to CAP for fiscal year 2003-2004, and another \$25,000 payment on August 14, 2004 for fiscal year 2004-2005. These payments represented the District's "local share" matching funds for the Center.

However, for fiscal year 2005-2006, the District's administration and Board, in light of the ongoing invoice dispute with CAP and the Former President's employment by CAP, and citing Ethics Act concerns and this investigation, requested that CAP and the Former President meet certain requirements before the District would make its payment of \$25,000 in matching funds.

In a memorandum dated January 16, 2006, the District's superintendent and business manager expressed their specific concerns and requirements to the members of the Board. This memorandum, which was prepared with advice of the District's solicitor, provides, in pertinent part:

\* \* \*

1. CAP . . . will designate a contact person [for the "Family Center/Fatherhood Initiative and Time-Limited Family Reunification" Application 2006-2007 grant application] other than [the Former President] to ensure compliance with the Ethics Act. [The Former President] will not be identified by name or title, or be referenced in any way, in the Grant Application.
2. As a member of [the District's] Board, [the Former President] must satisfy the statutory directives of a School Director as set forth in the Public School Code. [Section 324(a), which prohibits school board members from contracting with their districts, and Section 324(c), which invokes the Ethics Act].

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<sup>19</sup> [www.caplanc.org](http://www.caplanc.org), "Lancaster Family Center," accessed on March 23, 2006.

\* \* \*

[The Former President], and CAP, will request a written opinion under Section 1107 of the Ethics Act from the State Ethics Commission that indicates (a) whether [the Former President's] role as Director of CAP's Family Center and Member of [the District's] Board of School Directors constitutes a conflict of interest under the Ethics Act and (b) the extent to which the [Former President] may be involved, directly or indirectly, with activities or services of the Family Center and/or Fatherhood Initiative that are funded as a result of the Grant Application.

[The Former President], and CAP, will provide a copy of the State Ethics Commission's written opinion to [the District] upon receipt of such opinion. [The District's] \$25,000 contribution will be contingent upon delivery of the State Ethics Commission's written opinion to [the District].

Additionally, in accordance with an opinion of counsel dated December 16, 2003, [the Former President] will not vote on any matter involving [the District] and the Grant Application and [the Former President] will not participate in any discussions, deliberations, or votes relating to the Family Center or Family Center Program personnel.

3. At least quarterly, CAP will provide to [the District] financial and operational reports regarding the activities and services funded as a result of the Grant Application. Such reports will, at a minimum, include a retrospective assessment of the prior quarter and forward expectations for the upcoming quarter.

OSI reviewed both the opinion of the District's solicitor dated December 16, 2003, and the "Advice of Counsel" letter issued February 22, 2006 by the State Ethics Commission, the pertinent provisions of which are as follows:

**Selected provisions from letter from the District's solicitor to the Board, December 16, 2003:**

The purpose of my letter is to confirm our discussions regarding the Ethics Act and specifically whether the [Former President's] employment is inconsistent with her serving as school director and/or as an officer of the board of school directors of the School District.

In every situation of this nature, the factual situation is critical.

\* \* \*

The School District decided to contract with CAP for the Family Center Program.

\* \* \*

[The Former President] is employed by CAP as the head of the Family Center Program. The Family Center Program is one of several programs administered by CAP. [The Former President's] salary is not paid from grant funds....

Assuming that the foregoing facts accurately describe the relationships between the School District, CAP and the [the Former President], it is our opinion (a) that the [the Former President] may not vote on any matter involving the agreement between the School District and CAP and (b) that the [the Former President] may not participate in any discussions, deliberations or vote relating to the Family Center Program or Family Center Program personnel. Subject to the [the Former President's] compliance with the foregoing, it is our belief that [the Former President's] serving as school director and/or an officer of the board of school directors of the School District does not violate the Ethics Act or any other any applicable federal or state requirement....

**Selected provisions from State Ethics Commission's "Advice of Counsel" letter to the Former President, February 22, 2006 (with emphasis added):**

**Issue:** Whether the Public Official and Employee Ethics Act ("Ethics Act") . . . would impose any prohibition or restrictions upon a School Director who, in a separate capacity, is employed as Director of the Family Center of a Community Action Program that provides services to the School District and receives funding from the School District in connection with a state grant supported by the School District.

\* \* \*

**Discussion:** It is initially noted that . . . advisories are issued to the requester based upon the facts that the requester has submitted. \* \* \* It is the burden of the requester to truthfully disclose all of the material facts relevant to the inquiry. . . . An advisory only affords a defense to the extent the requester has truthfully disclosed all of the material facts.

It is further initially noted that . . . an opinion/advice may only be given only as to prospective (future) conduct. If the activity in question has already occurred, the Commission may not issue an opinion/advice but any person may then submit a signed and sworn complaint, which will be investigated by the Commission if there are allegations of Ethics Act violations by a person who is subject to the Ethics Act. To the extent you have inquired as to conduct that has already occurred, such past conduct may not be addressed in the context of an advisory opinion. . . .

\* \* \*



**Conclusion:** As a School Director for the School District of Lancaster (“School District”), you are a “public official” subject to the provisions of the Public Official and Employee Ethics (“Ethics Act”), 65 Pa.C.S. § 1101 *et seq.* In response to your request for a ruling regarding the appropriateness of your remaining as School Director and possible conflict(s) of interest based upon your employment as Director of the Lancaster Family Center (“Family Center”) of the Community Action Program (“CAP”) of Lancaster County—which provides services to the School District and receives funds from the School District in connection with a state grant supported by the School District—you are advised as follows. The Ethics Act would not prohibit you from remaining a School Director while being employed as Director of the Family Center. This conclusion is based upon the fact that there is no statutorily declared incompatibility or inherent conflict under Section 1103(a) of the Ethics Act as to simultaneous service in these two positions. *The question of whether conflicts of interest would arise for you as a School Director as a result of your employment as Director of the Family Center hinges upon the nature of CAP, which cannot be conclusively determined under the limited submitted facts. If CAP is a “business,” it is a business with which you as a CAP employee are associated, such that: (1) you would have conflicts of interest as a School Director in matters that would financially benefit CAP/the Family Center and the restrictions and requirements of Sections 1103(a) and 1103(j) would have to be observed; and (2) Section 1103(f) would have to be observed to the extent it would be applicable. If CAP would be a “governmental body” or “political subdivision” and not a “business,” the use of the authority of your public position as a School Director for a pecuniary benefit to such “governmental body” or “political subdivision” would not in and of itself constitute a conflict of interest under the Ethics Act.*

\* \* \*

Pursuant to Section 1107(11), this Advice is a complete defense in any enforcement proceeding initiated by the Commission, and evidence in good faith conduct in any other civil or criminal proceeding, *provided the requester has disclosed truthfully all the material facts* and committed the acts complained of in reliance on the Advice given.

The Lancaster *Intelligencer Journal* reported on March 22, 2006:

On March 15, CAP’s counsel responded that the agency is in fact a governmental body, and thus the District could issue the money.

\* \* \*

[The District] . . . now will pay the Family Center \$25,000 for the 2005-2006 and 2006-2007 school years.<sup>20</sup>

We reviewed the opinion letter from CAP's counsel dated March 15, 2006, which was cited in the newspaper article, and did not find it to be persuasive with regard to CAP's status. Our own analysis of this issue concluded that CAP is a "business" rather than a "governmental body." Furthermore, the opinion of CAP's counsel must be discounted for bias in light of the fact that it is in CAP's (and the Former President's) obvious self-interest to characterize CAP as a "governmental body" rather than a "business," because it would render the pressure tactics used by the Former President for the financial benefit of her employer, CAP, beyond the reach of the sanctions of the Ethics Act.

#### **Past activity by the Former President on behalf of her employer, CAP**

As quoted therein, the State Ethics Commission opinion does not apply to immunize past conduct, nor does it protect future conduct if the requester has not disclosed truthfully all the material facts relevant to the inquiry. OSI has attempted to determine if the Former President provided truthful, accurate, and complete factual information to form the basis for these opinions. OSI reviewed the voting record of the Former President at Board meetings to determine if she abstained from voting on Center issues and any other CAP-related issues, because voting on such issues could inure to the benefit of her employer, CAP. OSI also interviewed several District employees and other witnesses to determine if the Former President was involved in any meetings or negotiations between CAP and the District, and, if so, which party she purported to represent.

The following is a summary of evidence demonstrating that the Former President may not have provided all of the facts necessary for the State Ethics Commission and the District's solicitor to provide valid opinions. This evidence suggests that the Former President committed multiple violations of the Ethics Act.

#### **School Board votes by the Former President**

In her March 17, 2006 interview with OSI, the Former President stated that she "absolutely" abstains from voting at Board meetings regarding all CAP issues with the District. However, in reviewing the minutes of Board meetings for the period July 1, 2002 to January 17, 2006, we found the following improper voting behavior by the Former President:<sup>21</sup>

- While serving as a member of the Board, and after being hired by CAP (but prior to becoming Board president), she voted twice to approve the District's financial report, which included payments to CAP.

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<sup>20</sup> Itkowitz, Colby, "Report clears Dixon; Finds no conflict in her roles with SDL, CAP," Lancaster *Intelligencer Journal*, March 22, 2006.

<sup>21</sup> During OSI's review of Board meeting minutes, we also found that the Former President voted, on two separate occasions, for pay increases for her niece who worked for the District. Such actions, although perhaps not a violation of the specific provisions of the Ethics Act, appear to violate the District's Code of Ethics.

- She voted an additional eight times to approve the financial report, which routinely included payments to CAP. However, OSI was unable to confirm whether payments to CAP were included because, in every report examined by OSI, invoice copies were not included with the meeting minutes.
- At the Board meeting of August 19, 2003, she voted in favor of a motion to apply for a 21<sup>st</sup> Century Learning Center Grant and an Early Reading First Grant, both of which were used to pay CAP.
- At the Board meetings of June 17, 2003 and June 22, 2004, she voted to approve the District's budget, which authorized future payments to CAP.
- At the January 21, 2006 Board meeting, after the Board decided not to renew the contract with CAP as the provider of the 21<sup>st</sup> Century LIFE After-School programs, in which the Board was voting to select a new staff of independent contractors and individuals to staff the program, the Former President, in what was essentially a vote protesting the termination of CAP as the provider, voted against each and every new independent contractor and individual approved by the Board.

**Pressure tactics by the Former President for payment of CAP 21<sup>st</sup> Century Learning Center program invoices**

OSI interviewed several District employees to determine whether and to what extent the Former President was involved in the dispute between the District and CAP over payment of CAP invoices regarding 21<sup>st</sup> Century programs. These interviews revealed the following:

- The District's superintendent immediately made notes of a hostile confrontation by the Former President that occurred on March 29, 2005. The superintendent's notes indicate that the Former President stated:

“You go fetch [the District's business manager].” . . . I want these CAP bills paid. What's the hold up? This is a good program. “This new admin.” [i.e., the new superintendent and the new business manager] thinks everybody is a crook. CAP is not a crook. I want this paid.

- The District's superintendent recalled that the Former President made similar demands to her regarding the CAP invoice dispute on several occasions, but she did not make notes of these other occasions.
- The District's business manager provided a copy of an e-mail memorandum dated April 20, 2005 in which he wrote:

I spoke today with [CAP's business manager]. [He] confirmed that he received my letter to him regarding the January and February invoices on or about April 4<sup>th</sup>. [He] said that he drafted a response to my letter, but that he had been told not to send the response until he was given the go ahead from both [CAP's executive director] and [the Former President]. [He] said that he hoped that he would have something to me soon, but the matter was out of his control right now.

- A District employee who was knowledgeable regarding the 21<sup>st</sup> Century Learning Center grants was interviewed on December 5, 2005, and, in response to questions, stated that:
  - CAP only hired [the Former President] *after* she was elected to the District's Board.
  - This employee attended a meeting on March 22, 2005 with CAP representatives that was called to discuss her new position as 21<sup>st</sup> Century Program Specialist.
  - To her surprise, [the Former President] attended the meeting.
  - After one of the CAP representatives left the meeting, another CAP representative and [the Former President] stated that the District's invoicing requirements were unfair.
  - The first CAP representative, before leaving the meeting, had said that the invoice requirements were no problem.
  - Looking back on the situation, she believed it was wrong for [the Former President] to have attended the meeting.
- Another District employee who was knowledgeable regarding the 21<sup>st</sup> Century Learning Center grant programs was interviewed on November 15, 2005, and, in response to questions, stated that:
  - In early February 2005, he ran into [the Former President] at the District's Lincoln Middle School.
  - [The Former President] confronted him about the outstanding 21<sup>st</sup> Century invoices and payments owed to CAP.
  - [The Former President] told him that the payment requirements implemented by the District, specifically its business manager, were "unfair" and that the District "changed the rules in the middle of the game" on CAP.
  - He felt [the Former President's] remarks were a clear threat to him.
- The District's business manager was interviewed on December 15, 2005, and, in response to questions, stated that:
  - [The Former President] approached him on January 20, 2005, and said that in her view CAP was an outstanding provider of services to the District, they were "clean," did nothing wrong, and to investigate them would be a waste of time and resources at the District.
  - [The Former President] also stated that if she had to choose between the District and CAP, she would choose CAP, because "they paid her bills."

In the interview of the Former President on March 17, 2006, she stated that:

- She denied any involvement with lobbying for CAP invoices to be paid by the District other than one instance.

- In February 2005, she asked the District's business manager to put the District's invoice requirements in writing for CAP, so that they could comply.
- Other than that instance, she never discussed CAP invoices, because it would be inappropriate.

In the March 17, 2006 interview, OSI brought to the Former President's attention a July 8, 2005 article in the Lancaster *Intelligencer Journal* in which it was written:

[The Former President] said she has not been involved with the District's dispute over CAP's invoices. "I completely deny those allegations," she said.<sup>22</sup>

When asked to comment on the quoted passage, the Former President stated that she stands by any and all statements made in the newspapers as they were quoted.

**The Former President's attendance at meetings in which she had a conflict of interest**

OSI reviewed documents that show that the Former President attended meetings between District personnel and CAP, sometimes holding herself out as representing CAP and other times as representing the District's Board. The following are instances in which she held herself out as representing CAP:

- During the period January 21, 2003 through May 21, 2004, minutes of LIFE After-School Team meetings reveal that the Former President attended nine meetings as a CAP representative.
- The former chair of the "LIFE Team," who was not an employee of the District, was interviewed on December 5, 2005, and, in response to questions, stated that:
  - She originally was asked to develop the 21<sup>st</sup> Century grant application by the District in 2001.
  - CAP was contracted to be the provider of 21<sup>st</sup> Century grant program services to the District.
  - She created and chaired the "LIFE Team" to spread the word about the programs to the community.
  - The team consisted of several District employees and CAP employees whose goal was to develop program ideas and promote programs.
  - [The Former President] did attend these meetings, and made it very clear she was "wearing her CAP hat" at these meetings and was only in attendance at the meetings as a CAP representative, not as a District representative.

OSI interviewed a District employee who was a member of the "LIFE Team" on July 5, 2005. This individual confirmed the Former President's attendance at the "LIFE Team" meetings, and further stated that:

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<sup>22</sup> Holzman, Paula, "Dixon is subject of state probe; SDL board president denies allegations," Lancaster *Intelligencer Journal*, July 8, 2005.

- This individual did the “PR” [public relations] work for the team.
- The LIFE After-School Program is provided by CAP through service contracts with the District.
- The Former President’s role at the meetings was to represent CAP from the operational side.

The following instance illustrates how, when her attendance at a meeting purporting to represent CAP was challenged as constituting a conflict of interest, the Former President insisted that she had a right to attend the meeting, invoking the authority of her office as president of the District’s Board:

- In a memorandum to his own file dated October 10, 2005, the District’s business manager wrote:

On September 29 at 8:30 a.m. at the law office of [the District’s solicitor’s law firm], an executive session of the School Board was convened to discuss a possible District proposal to CAP to settle, without litigation, issues surrounding CAP’s 21<sup>st</sup> Century invoices. While [a partner in the District solicitor’s law firm] and I were preparing materials for the session, [the Former President] arrived. When the [the partner] and I entered the room, the [District’s solicitor] informed me that he had advised [the Former President] that it was not appropriate for her attend the meeting since there was a clear conflict of interest. [The District’s solicitor] said that he had asked [the Former President] to leave. [The District’s solicitor] reported that [the Former President] said that she was a duly-elected member of the Board and had every right to be at this meeting so long as she did not participate in the discussion. [The District’s solicitor] said that, despite further guidance that she should not be there, [the Former President] refused to leave. During the session, [the Former President] made no comment of any sort. She received copies of two proposed letters to CAP and retained those copies after the meeting.

During the interview of March 17, 2006, the Former President stated:

- She did attend LIFE After-School Team meetings as a CAP representative.
- Those meetings related to program services provided by CAP to the District, and she was on the Board at the time.
- No one ever asked her to leave the September 29, 2005 executive session of the Board.
- She attended because she has a right to know what is going on, and she attended the meeting as a member of the Board.

**The Former President’s supervision of the implementation of a CAP contract with the District**

In the interview of March 17, 2006, the Former President stated that she signs all forms as Director of CAP’s Family Center. She was shown a CAP purchase requisition to a

transportation company used to order buses needed to transport the District's Wheatland Middle School students to an off-site location. The purchase requisition was an expense related to the District's LIFE After-School Program contract with CAP, and was ultimately paid for by the District. The purchase requisition was for an authorized "distributed amount" of \$544.00, and was signed on January 7, 2005 by the Former President, who was listed as "Program Director" for CAP.

When asked in the interview to explain her role in the transaction, she stated that this payment was for bus services at the District's Wheatland Middle School and that she signed this request as the approving authority for the Center. Such conduct appears to have violated the provisions of Section 1103(f) of the Ethics Act, which would prohibit her from having any supervisory or overall responsibility for the implementation or administration of any CAP contracts with the District.

### **Statements of Financial Interest filed by the Former President**

In the interview of March 17, 2006, the Former President stated that:

- She always filed SFIs while serving on the Board.
- She filed an SFI for 2001, but stated that the 2001 SFIs were missing from the files of the District.<sup>23</sup>
- She always disclosed all the necessary information on the SFIs and completed them to the best of her ability.

However, our review of SFIs filed by the Former President for the calendar years 2000, 2002, 2003, and 2004 revealed the following:

- The 2000 SFI indicates her occupation or profession as "Support Services Coordinator" and her direct or indirect sources of income as "Housing Development Corp." There is no information listed in the section on "office, directorship or employment in any business."
- The 2002 SFI indicates her occupation or profession as "Director, Lancaster Family Center" and her direct or indirect sources of income as "CAP of Lancaster County." There is no information listed in the section on "office, directorship or employment in any business."
- The 2003 SFI indicates her occupation or profession as "CAP of Lancaster County" and her direct or indirect sources of income as "Job." There is no information listed in the section on "office, directorship or employment in any business."
- The 2004 SFI indicates her occupation or profession as "Human Services," her direct or indirect sources of income as "Community Action Program of Lancaster County,"

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<sup>23</sup> See footnote 10 regarding District personnel's SFIs for 2001.

and her office, directorship or employment in any business as “Director, Lancaster Family Center.”

There were discrepancies in the information provided by the Former President on these SFIs. It appears that she indicated she was employed by CAP during every applicable year. However, for the calendar year 2004, she indicates she was “Director, Lancaster Family Center,” in the section on “office, directorship or employment in any business.” This should have been disclosed on the SFIs for calendar years 2002 and 2003 as well.

### **Conclusions and Recommendations:**

CAP was the vendor on contracts with the District valued in excess of \$2.1 million dollars for the period June 1, 2003 through September 30, 2005. The Former President, upon accepting salaried employment with CAP while serving on the Board, should have been extremely careful to avoid any conduct that might violate the various provisions of the Ethics Act that proscribe conflicts of interest. The Ethics Act clearly places the onus on the Former President to scrupulously observe the formalities regarding abstaining from voting on all matters involving her employer and, even more importantly, to scrupulously avoid using the power and authority of her official position to attempt to confer a financial benefit on her employer.

This investigation has revealed that the Former President has failed woefully in this regard. Not only did she fail to remain uninvolved in the District’s relations with CAP, she has repeatedly disregarded the voting restrictions and has engaged in conduct that appears to constitute a conflict of interest under the Ethics Act.

Clearly, the most serious transgressions occurred in her attempts to pressure the District superintendent, the business manager, and other involved employees to pay the disputed invoices described in Finding No. I, which were submitted by her employer, CAP, for services purportedly rendered to the District. The invoices submitted were not supported by the necessary and customary documentation, and the District was clearly within its rights to demand proof that the services being charged for were actually rendered. The attempt by a president of a school board to intimidate officials at her district into caving in to her employer’s demands in a legitimate contract dispute is reprehensible. As an official elected by the citizens and taxpayers of the District, the Former President’s first and highest duty – her “public trust”<sup>24</sup> – is to protect and defend the interests of the District, not the interests of her employer, CAP.

Therefore, we are forwarding this report to the State Ethics Commission for whatever further action it may deem appropriate, including making a definitive determination of whether

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<sup>24</sup> Section 1101.1(a) of the Ethics Act, 65 Pa.C.S. § 1101.1(a), provides, in pertinent part:

(a) **Declarations.**—The Legislature hereby declares that public office is a public trust and that any effort to realize personal financial gain through public office other than compensation provided by law is a violation of that trust. In order to strengthen the faith and confidence of the people of this Commonwealth in their government, the Legislature further declares that the people have a right to be assured that the financial interests of holders of . . . public office do not conflict with the public trust. . . .



the Former President's actions violated the Ethics Act. We especially note that the Commission's "Advice of Counsel" letter issued on February 22, 2006 was not unqualified. The opinion stated that insufficient facts were submitted to make a determination of whether CAP is a "business" as opposed to a "governmental body" or a "political subdivision." We are not persuaded by the self-serving statement by CAP's counsel that CAP is not a "business" within the meaning of the Ethics Act. While CAP may run a variety of service programs funded almost entirely by government grants, it is nevertheless a multi-million dollar enterprise employing hundreds of employees. Whatever governmental function CAP may claim to perform appears to be merely incidental and ancillary to its function as an essentially commercial enterprise. We urge the State Ethics Commission to open an investigation of its own to gather the facts about the nature of CAP's activities that will allow it to make a definitive determination on this issue.<sup>25</sup>

We also recommend that the District's solicitor expand his December 16, 2003, opinion to include an explicit admonition to the Former President that she must refrain from using the authority of her office to confer pecuniary benefits on her employer. Although this point seems so obvious that one would not think it necessary to state it explicitly, especially in a letter that includes instructions as to how to abstain from voting because of the conflict of interest it would create, such an explicit admonition is evidently necessary in this case.

In addition to the State Ethics Commission, a copy of this report will be forwarded to the U.S. Department of Education's Office of Inspector General and to the Office of the U.S. Attorney for the Eastern District of Pennsylvania for whatever action they may deem appropriate.<sup>26</sup>

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<sup>25</sup> While we are confident that CAP is, in fact, a "business" and therefore subject to the proscriptions of the Ethics Act, if the State Ethics Commission or a court of competent jurisdiction should conclude otherwise, we would strongly recommend that the Ethics Act be amended by the General Assembly to close this obvious loophole. If the conduct described in this report is not in violation of the Ethics Act, it certainly ought to be.

<sup>26</sup> A previous investigation of the District by the U.S. Attorney for the Eastern District of Pennsylvania resulted in the prosecution and conviction of the District's former superintendent.

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## ADDITIONAL COMMENTS

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At the conclusion of OSI's interview of March 17, 2006, the Former President, perhaps to deflect attention from herself, alleged that the District's current superintendent, its solicitor, and three other members of the Board had each engaged in conduct that would constitute a conflict of interest through their involvement with organizations that had contracts with the District. OSI investigated these allegations and determined that they are unfounded.

The following is a brief synopsis of each of the Former President's allegations and the results of OSI's investigation into those allegations. We reviewed SFIs filed for calendar years 2002 forward.<sup>27</sup>

- The Former President alleged that the District's superintendent was serving on the board of directors of a community organization with which the District contracted to purchase a parcel of real estate.
  - OSI determined that the superintendent did list the directorship on her SFIs for 2004, the first year that she was employed by the District, and for 2005.
  - On August 29, 2005, the District did enter into a contract to purchase a parcel of real estate from a *foundation* affiliated with the community organization, but which is a separate and distinct entity with a separate board of directors.
  - However, a review of the minutes of the July 19, 2005 Board meeting revealed that the District's superintendent publicly disclosed her relationship with the community organization.
  - Furthermore, OSI's review of this real estate contract and accompanying support documents revealed that the District's superintendent did not serve on the board of directors of the affiliated *foundation*.
  - OSI also notes that the District's superintendent does not vote on contracts at Board meetings.
- The Former President alleged that a partner in the law firm appointed as solicitor for the District had served on the board of directors of a community organization from which the District procured \$199,629 worth of services in 2005.
  - OSI determined that this individual did file SFIs for 2002, 2003, and 2004, and disclosed on the SFIs that the law firm was appointed or elected solicitor for numerous political subdivisions and agencies, including the District and the City of Lancaster.
  - The individual also indicated in an interview he has never been asked to, nor has he ever, reviewed any contractual issues either for the District or for the community organization in question.

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<sup>27</sup> See footnote 10 regarding District personnel's SFIs for 2001.

- Furthermore, OSI notes that a solicitor does not vote at Board meetings.
  - Said individual also stated that he was extremely confident that the SFIs filed by his law firm go above and beyond the Pennsylvania Supreme Court's requirements for school district solicitors.
- The Former President also alleged that a Board member (who is also the current president of the Board) was employed as a secretary for an organization from which the District procured eight contracts totaling \$391,619 worth of services since 2004.
  - OSI determined that this Board member did disclose on her SFIs for 2002, 2003, 2004, and 2005 that she was employed as a secretary for the organization.
  - OSI also reviewed minutes of Board meetings for the months of September 2004 to January 2006 and found no instance in which this Board member voted on a contract with or a payment made to the organization.
  - Moreover, OSI determined that this Board member affirmatively abstained from voting or recused herself on contracts with the organization on four separate occasions and on payments made to the organization on eight separate occasions.
  - OSI did find one instance in which this Board member signed a contract between the District and the organization. However, she abstained from voting to approve this contract, and she only signed it in a ministerial capacity as president of the Board.
  - OSI also notes that the District's official website discloses, under her profile, the Board member's employment by the organization.
- The Former President also alleged that another Board member was employed by a non-profit entity with which the District entered into various contracts.
  - OSI determined that this Board member did disclose that he was employed by the entity on his SFIs filed for 2002, 2004, and 2005. It is unclear why there was no disclosure for 2003, but he did file an SFI for that year, on which he listed his direct and indirect sources of income as "none."
  - OSI noted that the District had procured \$6,300 worth of contracted services from the entity since 2004.
  - OSI also reviewed minutes of Board meetings for the months of September 2004 to January 2006, and found no instance in which this Board member voted on a contract with or a payment to the entity.
  - Moreover, OSI determined that this Board member abstained from voting or recused himself on contracts with the entity on three separate occasions and on payments made to the entity on five separate occasions.
  - OSI also notes that the District's official website discloses, under his profile, this Board member's employment by the entity.
- The Former President also alleged that another Board member was employed by an agency of the Commonwealth of Pennsylvania with which the District had contracts.

- OSI was unable to find any contracts between the District and the agency.
- OSI determined that this Board member disclosed on her SFIs for 2002, 2003, 2004, and 2005 that she was employed by the agency.
- OSI also reviewed minutes of Board meetings for the period September 2004 to January 2006 and determined that this Board member properly abstained from voting on a payment made by the District to a business owned by her husband at the Board meeting of March 15, 2005.
- Furthermore, OSI found that this Board member filed SFIs for 2003 and 2005 as both a “public official” and as a “public employee.”
- OSI also notes that the District’s official website discloses, under her profile, this Board member’s employment by the agency.

**Conclusions:**

The Former President’s allegations are unfounded. The District superintendent, the solicitor, and the Board members mentioned in the instances cited appear to have fully complied with the requirements of the Ethics Act. Furthermore, these individuals have adequately and publicly disclosed their relationships with the businesses and organizations with which they are affiliated through the filing of their annual Statements of Financial Interest.

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## **DISTRICT'S RESPONSE TO REPORT**

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The Department of the Auditor General provided a draft copy of this report to the District on August 11, 2006, for its review and comment. We received the District's response on August 16, 2006. The response, which is signed by the *current* president of the Board and current superintendent, is reproduced on the following pages.



## SCHOOL DISTRICT OF LANCASTER

1020 Lehigh Ave.  
Lancaster, PA 17602  
Telephone: (717) 291-6121  
[www.lancaster.k12.pa.us](http://www.lancaster.k12.pa.us)

August 16, 2006

Jeffrey H. Gribb  
Office of Special Investigations  
Department of Auditor General  
Harrisburg, PA 17120-0018

Dear Mr. Gribb:

Thank you for your letter of August 11, 2006, and the draft report which accompanied the letter. We appreciate the opportunity to respond.

A majority of the Board of School Directors and the School District's Administration acknowledge the deficiencies identified in the Auditor General's report, and have either taken the corrective actions or will take the corrective actions recommended by the Auditor General.

With respect to Finding #1, the School District's process of scrutinizing all invoices from educational consultants, and requiring that services be properly and fully documented, is now firmly established. The process in place led to the identification of substantial deficiencies in the invoices submitted by the Community Action Program ("CAP"). As a result of the discovery of the substantial deficiencies in CAP's invoices, the School District did not renew the LIFE After School contracts with CAP, and as of October, 2005, the School District is operating those programs. In the litigation between the School District and CAP, the School District has requested that the Court of Common Pleas require CAP to provide an appropriate accounting of the services provided to the School District since August of 2001 and set off any amounts improperly billed by CAP in both the 2006 invoices and in the invoices issued between August, 2001 and December, 2005, against any amounts that may be due from the School District. The School District will continue to monitor diligently the services provided by its educational consultants and will continue to require all consultants to properly and fully document any invoices.

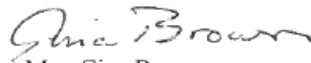
With respect to Finding #2, the School District notes that the management employee who was the subject of the finding has resigned from employment with the School District effective September 8, 2006. The Board of School Directors has accepted the resignation. As recommended by the Auditor General, the School District's Administration has:

- strengthened measures to ensure that School District personnel who are “public employees” as defined by the Public Official and Employee Ethics Act complete and file the required Statement of Financial Interests;
- instituted measures to review annually the Statements of Financial Interests to identify and resolve any potential conflicts or relationships which are subject to the Act; and
- conducted, and will continue to conduct, annual training programs for School District leadership personnel on the requirements of the Act and the School District’s Code of Conduct.

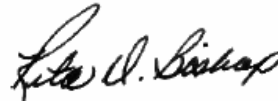
With respect to Finding #3, a majority of the Board of School Directors and the School District’s Administration will direct all School District employees to continue to cooperate fully with any investigation conducted by the State Ethics Commission or any other governmental body. Further, a majority of the Board of School Directors has directed the School District’s solicitor to expand the December 16, 2003 opinion of counsel to include an explicit admonition to the “Former President” that she must refrain from using the authority of her office to confer pecuniary benefits upon her employer.

We appreciate the thoroughness and professionalism of the Auditor General and his staff in conducting these investigations, and in making the recommendations to improve the functioning of school districts in general and the School District of Lancaster in particular.

Yours truly,



Mrs. Gina Brown  
President of the Board of School Directors  
School District of Lancaster



Rita D. Bishop, Ed.D.  
Superintendent  
School District of Lancaster

Cc: Board of School Directors  
Robert M. Frankhouser, Jr.

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## FORMER SCHOOL BOARD PRESIDENT'S RESPONSE TO REPORT

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The Department of the Auditor General provided a draft copy of this report to the District on August 11, 2006, for its review and comment. In formulating its response to the draft report, the District appropriately provided copies to all members of the District's Board, including the Former President whose actions are discussed in this report. Although we instructed the Former President's attorney to submit any comments on the draft report for consideration *by the District* for incorporation into *the District's* official response, she submitted a separate response on the Former President's behalf directly to the Department on August 22, 2006. That response is reproduced on the following pages.



**Lenora M. Smith**

EMAIL:  
lenora.law@earthlink.net

ATTORNEY AT LAW  
P.O. BOX 5154  
HARRISBURG, PENNSYLVANIA 17110  
(717) 234-1688  
FAX (717) 234-0639

OFFICE  
1205 NORTH SECOND STREET

August 21, 2006

Commonwealth of Pennsylvania  
Department of the Auditor General  
Attn: Mr. Jeffrey H. Gribb, Director  
Office of Special Investigations  
Harrisburg, Pa. 17120

RECEIVED  
AUDITOR GENERAL  
2006 AUG 22 A 11:23  
ADMINISTRATION

Re: Preliminary Investigative Report concerning  
the Lancaster City School District

Dear Mr. Gribb:

Please be advised that I represent Ms. Patrice Dixon in the above referenced matter and I submit this letter on her behalf as a response to your office's Findings in an investigative report concerning her conduct as a member of the Lancaster City School Board while an employee of the CAP program. Please be advised that we are addressing what we believe are the most important aspects of your report and our failure to address other aspects of the report should not be deemed an admission of Ms. Dixon to any of your findings as stated in your report.

First, Ms. Dixon has no problems or qualms with the scrutiny of the spending of public funds. However, it appears that the Office of the Auditor General, Special Investigation Unit was not objective and neutral in its investigation, particularly because it failed to interview the relevant CAP employees, such as the Director of Operations and the Fiscal Director of CAP. Additionally, it is opined that your Findings clearly went beyond the authority of the Auditor General when it purports to make findings of ethical violations. You made determinations of credibility concerning ethical violations and you have no authority to do same. Your report appears to be an attempt to influence the Ethics Commission in this matter should it decide to investigate your concerns. The authority to make ethical violation findings is the mandate of the Ethics Commission. However, notwithstanding the above, the following is submitted on behalf of Ms. Patrice Dixon:

1. Proposed Finding # 1- No One from the CAP Program was interviewed for this Finding and should have been in light of the allegation that Cap failed to produce adequate invoices. Further, it appears you have adopted the District's position.

2. Proposed Finding #3- At no time did Ms. Dixon pressure anyone. She made an inquiry

Office of the Auditor General,  
Bureau of Special Investigations,  
Jeffrey H. Gribb, Director  
August 21, 2006  
Pg. 2

one time in an attempt to flush out the problem. During this occasion, she suggested to the District that whatever problems it was having with CAP's invoices, it should put those concerns in writing to the relevant personnel of CAP. The purpose of the inquiry was to aid in the movement of a resolution. If someone felt pressure as a result of a onetime inquiry, that was not the intent of Ms. Dixon. At no time did Ms. Dixon ever tell someone to "fetch" anyone or anything. That is not her terminology and in fact is considered a denigrating word in the African American community. CAP had been a provider of services to the Lancaster City School District for many years prior to Ms. Dixon's membership on the Lancaster City School Board and prior to any employment of Ms. Dixon at the Family Center. And she never had a conversation with anyone at the District about whether or not CAP was "clean".

Ms. Dixon's employment at the Family Center was public information and was known through out the Lancaster City Community.

Ms. Dixon remembers the concerns of a conflict of interest as a result of her employment and simultaneous membership on the Lancaster City School Board. She recalls that the Solicitor advised her not to participate in any votes regarding specific contracts with CAP but never informed her that voting on the general budget posed a problem. The budget submitted to the Board did not line item CAP's contract. The Solicitor attended every meeting for which a budget vote took place and never informed Ms. Dixon that her vote on the general Budget was or appeared to be a conflict of interest. If voting on the budget is and was a conflict of interest, it was never any intent to violate or to have an appearance of a conflict. Since Ms. Dixon had nothing to do with the letting of any contract between the District and CAP, Ms. Dixon did not know in 2006, what she did unknowingly in prior years would be deemed a conflict of interest at this time. By the time the budget was passed by the Board, the Board without any input from Ms. Dixon had approved a specific contract with CAP.

At no time, did Ms. Dixon attempt to have CAP's attorney designate CAP as a governmental body. Rather than make a supposition, the Auditor General could have interviewed the attorney for CAP. The designation of CAP by its attorney was not done to benefit Ms. Dixon in anyway or at her request.

Generally, any votes she may have made which inured to the benefit of CAP was done without the specific intention of any wrongdoing. Votes were made after the Board had already contracted with CAP and were perfunctory in the opinion of Ms. Dixon. If this is now considered wrong, it is opined that the Solicitor should have made her aware.

A very clear example of your office overstepping its authority is one of your conclusionary paragraphs wherein you portray Ms. Dixon's reasoning for votes taken at the January 21, 2006

Office of the Auditor General,  
Bureau of Special Investigations,  
Jeffrey H. Gribb, Director  
August 21, 2006  
Pg. 3

meeting regarding potential replacement providers of services to the District. Without Ms. Dixon stating her reasons for the "no" votes to you, you would not be privy to that information. This is a perfect example of your office's inability to be fair and impartial. How could you know her intent. I reiterate CAP has been in business for a very long time and does not need Ms. Dixon to advocate on its behalf. Your speculation about her votes against other potential providers is just that speculation. Moreover, your speculation of same is beyond your mandated duty and responsibility.

Being a member of a Lancaster City School Board is an unpaid position. No training was ever provided for Board members and Ms. Dixon has basically learned this job on the job. However, any inquiry or votes she's ever taken has been an attempt to serve the people to the best of her ability.

Another example of you going beyond your mandate is your attempt to purport to know why Cap hired Ms. Dixon. According to your office you received information from a School District official who had the information that Ms. Dixon was hired by CAP as a result of her membership on the Board. The best and only relevant place to get this information would have been CAP.

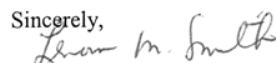
With regards to attendance at a meeting on September 29, 2005, Ms. Dixon was invited to said meeting by the solicitor. He did not ask her to leave and he did not tell her of any conflict.

Ms. Dixon did sign a requisition as Director of the Family Center for authority to order bus service for transportation services; however, the final invoice is paid and/ or submitted by the relevant CAP personnel. She does not have final say. And nothing in this action inured to the direct benefit of Ms. Dixon.

Lastly, when Ms. Dixon began her tenure on the Lancaster City School Board she was employed by the Housing Agency. At the time she filled out her ethics form she was an employee of the Housing Agency. It was after the submission of her ethics form that her employment changed to the one at the CAP organization. Moreover, Ms. Dixon filled out her ethics form to the best of her knowledge and belief.

On behalf of Ms. Dixon, I thank you for this opportunity to address our major concerns. I would only ask that you append this letter to your report.

If you have any questions or concerns, please feel free to contact me.

Sincerely,  
  
Lenora M. Smith, Esquire

cc: Ms. Patrice Dixon

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## DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS ON RESPONSES TO REPORT

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We appreciate the District's prompt response to the draft report and for its cooperation throughout this investigation. We commend the District's Board and administration for the corrective actions that they have already taken in response to this investigation and for their commitment to continue to take such actions. The Department of the Auditor General will follow-up at the appropriate time to determine the status of the District's implementation of each of our recommendations.

As a courtesy to the Former President of the District's Board, we have included the response submitted by her attorney to the draft report, even though she failed to submit her response for consideration *by the District* for incorporation into *the District's* official response as instructed. We are disappointed by her attempt, again, to deflect attention from her own actions as described in this report. Although there is nothing in the Former President's response that prompts a change to the report, we must briefly respond as follows.

First, the Department has not only the authority, but also the obligation, to refer findings of apparent violations of state and federal law to the appropriate agencies for their review and follow-up as they deem appropriate. Second, the Department gave the Former President a fair opportunity to present her version of events, both through an interview during the investigation and through the submission of a formal response to the draft report. We considered all of the information that she provided along with all of the other information, documents, and evidence that we gathered during the course of this investigation. Clearly, she disagrees with our conclusions and we have acknowledged that disagreement throughout this document. Finally, despite the Former President's assertions, it was not necessary for us to interview representatives of CAP because, as explained in the report, we conducted an independent review of CAP's contracts, invoices, and other documents, which we were able to obtain from the District. The Former President's continued defense of CAP, even after reading a draft of this report, supports our conclusion about her apparent conflict of interest.

With minor revisions to the report based on the responses provided by the District and the Former President to the draft report, the findings will remain as stated. We urge the Former President to voluntarily comply with the recommendations in this report, cooperate with corrective actions taken by the District, and cooperate with other government agencies that may investigate this matter based on our referrals.

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## DISTRIBUTION LIST

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This report was distributed initially to the members of the Board of Directors of the School District of Lancaster, the District's superintendent, business manager, and solicitor, and the following:

The Honorable Edward G. Rendell  
Governor

The Honorable Robert P. Casey, Jr.  
State Treasurer

The Honorable Gerald L. Zahorchak, D.Ed.  
Secretary of Education

The Honorable Pedro A. Cortés  
Secretary of the Commonwealth

The Honorable Michael J. Masch  
Secretary of the Budget

Harvey C. Eckert  
Commonwealth Comptroller

The Honorable Noah Wenger  
Chairman  
Senate Appropriations Committee

The Honorable Vincent J. Fumo  
Democratic Chairman  
Senate Appropriations Committee

The Honorable Brett Feese  
Chairman  
House Appropriations Committee

The Honorable Dwight Evans  
Democratic Chairman  
House Appropriations Committee

The Honorable James Rhoades  
Chairman  
Senate Education Committee

The Honorable Raphael Musto  
Democratic Chairman  
Senate Education Committee

The Honorable Jess Stairs  
Chairman  
House Education Committee

The Honorable James Roebuck  
Democratic Chairman  
House Education Committee

John J. Contino, Executive Director  
State Ethics Commission

Lou Ann Evans, President  
Pennsylvania School Boards Association

Office of Inspector General  
U.S. Department of Education

Office of the U.S. Attorney  
for the Eastern District of Pennsylvania

This report is matter of public record. Copies of this report are available on the Department of the Auditor General's website, [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and from the Department's Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.