

LIMITED PROCEDURES ENGAGEMENT

Gettysburg Area School District
Adams County, Pennsylvania

April 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Todd Orner, Board President
Gettysburg Area School District
900 Biglerville Road
Gettysburg, Pennsylvania 17325

Dear Governor Wolf and Mr. Orner:

We conducted a Limited Procedures Engagement (LPE) of the Gettysburg Area School District (District) to determine its compliance with certain relevant state laws, regulations, policies, and administrative procedures (relevant requirements). The LPE covers the period February 2, 2011 through February 3, 2015, except for any areas of compliance that may have required an alternative to this period. The engagement was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania and the Fiscal Code 72 P.S. § 403, but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

As we conducted our LPE procedures, we sought to determine answers to the following questions, which serve as our LPE objectives:

- Does the District have documented board policies and administrative procedures related to the following?
 - Internal controls
 - Budgeting practices
 - Compliance with the Right-To-Know Law
 - Compliance with the Sunshine Law
- Are the policies and procedures adequate and appropriate, and have they been appropriately implemented?
- Did the District take appropriate corrective action to address the findings, observations, and verbal comments made in our prior audit/LPE, and were the actions taken into effect?

The Honorable Tom W. Wolf
Mr. Todd Orner
Page 2

Our engagement found that the District complied, in all significant respects, with relevant requirements.

We appreciate the District's cooperation during the conduct of the engagement.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

April 23, 2015

cc: **GETTYSBURG AREA SCHOOL DISTRICT** Board of School Directors

Status of Prior Findings and Observations

The following finding was contained in the prior regular audit report:

Finding

District's Inadequate Internal Controls Resulted in Unverifiable Reimbursements

Finding Condition

Our prior audit of the Gettysburg Area School District's (District) child accounting data for the 2009-10 school year found that District personnel could not provide membership printouts from its student information software (SIS) that supported the data submitted to the Pennsylvania Department of Education (PDE) via the Pennsylvania Information Management System (PIMS), which resulted in unverifiable subsidies and reimbursements.

Recommendations

Our prior audit finding recommended that the District should:

1. Store back-up documentation for membership so that it can be located and retrieved for audit purposes.
2. Reconcile membership printouts to the PIMS Student Calendar Fact Template Details Report being submitted to PDE, ensuring that all membership data, including student names and membership days, are in agreement. When reconciling data, efforts between the District's child accounting and PIMS personnel should be coordinated so both the child accounting and PIMS aspects are covered.
3. Maintain supporting documentation and written explanations of any differences that are noted between the reports and of any adjustments that are required. District child accounting and PIMS coordinators should ensure that the documentation and written explanations of adjustments are maintained for audit purposes.
4. Continue reconciling subsequent years' child accounting data on the membership printouts to child accounting data on the PIMS Student Calendar Fact Template Details Report submitted to PDE. If any errors are noted, corrections should be submitted to PDE, and any applicable corrections should be entered into the SIS.

We also recommended that PDE should:

5. Review the propriety of the District's subsidies and reimbursements and determine if any adjustments are required.

Current Status

Our current review found that the District implemented our recommendations.

Our current review also found that PDE did not make any adjustments to the District's subsidies and reimbursements as a result of this finding.

The following two (2) findings were contained in a separate prior report relating to a former Superintendent's contract buy-out:

Finding No. 1

The District's Early Separation from Its Superintendent Cost It \$622,015 in Administrative Leave, Contract Buy-Out Expenses, and Replacement Costs

Finding Condition

Our prior report relating to a former Superintendent's contract buy-out found that only nine (9) months into a four-and-a-half year employment agreement (Agreement) the District's Board of Directors (Board) placed its former Superintendent on immediate paid administrative leave, beginning on September 21, 2010. The District indicated that this leave was for personal reasons and paid the former Superintendent \$49,367 for the period from September 21, 2010 to January 31, 2011. Subsequent to this leave, the Board approved a Settlement Agreement and Release (SAR) between the District and the former Superintendent, effective February 1, 2011. The SAR required the District to make payments to the former Superintendent totaling \$226,752 and to award the former Superintendent mortgage loan and interest forgiveness totaling \$313,293. In addition, the District spent \$32,603 on expenses related to replacing the former Superintendent and maintaining interim management. Consequently, prematurely ending the former Superintendent's contract cost the District a total of \$622,015.

Recommendations

Our prior audit finding recommended that the District's Board should:

1. Enter into employment contracts with prospective superintendents at the three-year minimum term permitted by state law, in order to limit potential financial liability by the District and its taxpayers.

2. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.
3. Document in the official board meeting minutes, in detail, why the District chooses to expend extremely large amounts of public money on ending an administrator contract.
4. Work with successors to the Superintendent to include in current and future employment contracts provisions that address the compensation and benefits payable to, or on behalf of, said administrators in the event of a premature termination of their contracts.
5. Upon termination of any employee, follow the provisions of the original employment contract and pay only what is due to the employee, prorated for the term of services provided.
6. Avoid future real estate deals that require the District to act as a mortgage lender.

Current Status

Our current review found that:

1. The District's first contract with the current Superintendent was just over three (3) years, to enable the District to bring the contract through the end of the 2013-14 school year. The current contract is for three (3) years.
2. Termination provisions were added to the Superintendent's most current contract to address recommendations 2 and 4.
3. There have been no new buy-outs since our prior report. Therefore, there has been no information in the minutes regarding amounts being spent on buy-outs.
4. There have been no new administrator buy-outs so no action could be taken for recommendation 5.
5. The District has not entered into any new real estate deals that require the District to act as a mortgage lender.

Finding No. 2

Possible Improper Reporting of Retirement Wages and Service Years

Finding Condition

Our prior audit of the District's former Superintendent's employment agreements, settlement agreements, and payroll records found that the District may have reported ineligible retirement wages in the amount of \$49,367 to the Public School Employees' Retirement System (PSERS) for the 2010-11 school year.

Recommendations

Our prior audit finding recommended that the District's Board should:

1. Contingent upon the PSERS's final determination, report to PSERS only those wages allowable for retirement purposes, as provided for in the PSERS' Employer Reference Manual.
2. Implement procedures for reviewing all salary and contribution reports in order to ensure that only eligible wages are being reported to PSERS for retirement contributions.

We also recommended that PSERS should:

3. Review the former Superintendent's salary payments and determine what action, if any, is necessary with regard to the District's inclusion of his \$49,367 in administrative leave payments for retirement credit.

Current Status

Our current review found that PSERS determined that the wages were accurately reported by the District and that only eligible wages had been reported to PSERS. The District now consults with PSERS on any questionable issues regarding eligible wages for retirement contributions.

Distribution List

This letter was initially distributed to the Superintendent of the District, the Board of School Directors, and the following stakeholders:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera
Acting Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

Christopher B. Craig, *Esq.*
Acting State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Ms. Danielle Mariano
Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

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

Mr. Lin Carpenter
Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This letter is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the letter can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.