

# PERFORMANCE AUDIT

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## Bangor Area School District Northampton County, Pennsylvania

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September 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Dr. Frank DeFelice, Superintendent  
Bangor Area School District  
123 Five Points Richmond Road  
Bangor, Pennsylvania 18013

Mrs. Pamela Colton, Board President  
Bangor Area School District  
123 Five Points Richmond Road  
Bangor, Pennsylvania 18013

Dear Dr. DeFelice and Mrs. Colton:

We conducted a performance audit of the Bangor Area School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). We also evaluated the application of best practices in the area of school safety. Our audit covered the period August 16, 2011 through May 15, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found significant noncompliance with relevant requirements, as detailed in the three audit findings within this report. We did find that the District effectively applied best practices in the area stated above. A summary of the results is presented in the Executive Summary section of the audit report. These findings include recommendations aimed at the District and a number of different government entities, including the Pennsylvania Department of Education (PDE) and the Public School Employees' Retirement System (PSERS).

Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the conduct of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

September 15, 2015

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

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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Bangor Area School District (District). Our audit sought to answer certain questions regarding the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as well as whether the District applied best practices related to school safety.

Our audit scope covered the period August 16, 2011 through May 15, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

### **District Background**

The District encompasses approximately 87 square miles. According to 2010 federal census data, it serves a resident population of 23,460. According to District officials, the District provided basic educational services to 3,232 pupils through the employment of 239 teachers, 184 full-time and part-time support personnel, and 14 administrators during the 2011-12 school year. The District received \$17.4 million in state funding in the 2011-12 school year.

### **Audit Conclusion and Results**

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the three audit findings within this report. The

District did apply best practices in the area of school safety.

**Finding No. 1: Incorrect Reporting of Vocational Education Membership Data Resulted in the District Receiving Excess Subsidy Payments of \$103,676.** For the school years 2010-11 and 2011-12, the District incorrectly reported vocational education student membership days to PDE, resulting in receipt of excess vocational education subsidy (VES) payments of \$103,676 (see page 6).

**Finding No. 2: Errors in Reporting Membership Data for Non-resident Foster Children Resulted in an Underpayment to the District of \$39,583.** Student membership reports submitted by the District to PDE for the 2010-11 and 2011-12 school years found reporting errors for foster children for the 2011-12 school year, resulting in an underpayment of \$39,583 (see page 8).

**Finding No. 3: In 2012-13, the District Paid Over \$142,000 to its Former Superintendent for Consulting Services that Appear to have not been Provided. In Addition, More Than \$18,000 of Payments Were Improperly Reported as Eligible Retirement Wages.** The District's administration was unable to provide our auditors with evidence that the former Superintendent performed any work for the District during the period for which she was paid as a consultant. As a result of this agreement, the District paid the former Superintendent a total of \$142,608 in fees and benefits for the period.

Also, the District's administration improperly reported \$18,975 of the former Superintendent's compensation during this period to the PSERS for inclusion in her retirement even though this compensation is considered ineligible under the PSERS Employer Reference Manual guidelines (see page 10).

**Status of Prior Audit Findings and Observations.** There were no findings or observations in our prior audit report.

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, PDE, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949 (PSC), as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period August 16, 2011 through May 15, 2014. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with PDE reporting guidelines, we use the term *school year* rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the District's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. More specifically, we sought to determine answers to the following questions, which serve as our audit objectives:

- ü Were professional employees certified for the positions they held?
  - o To address this objective, the auditors reviewed and evaluated certification documentation for all 265 teachers and administrators that were employed from July 1, 2013 through November 18, 2013.
  
- ü In areas where the District received state subsidies and reimbursements based on non-resident pupil

membership, did it follow applicable laws [24 P.S. §§ 13-1301, 13-1302, 13-1305, and 13-1306] and procedures [22 Pa. Code Chapter 11]?

To address this objective:

- The auditors reviewed placement information on all eight of the District's non-resident foster students educated by the District for the 2011-12 school year.
- The auditors also reviewed all students enrolled in the vocational education program for the 2010-11 and 2011-12 school years to ensure that these students met the vocation education program requirements.

ü Did the District ensure that bus drivers transporting District children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 23 Pa.C.S. § 6344(a.1), 24 P.S. § 2070.1a *et seq.*, 75 Pa.C.S. §§ 1508.1 and 1509, and 22 Pa. Code Chapter 8, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected 5 drivers out of the 15 drivers hired during the 2011-12 school year and determined whether the drivers had the necessary licenses, physicals, training, background checks, and clearances. This review included both district-employed and contractor-employed drivers, as appropriate.
- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

ü Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?

- To address this objective, the auditors reviewed the contract, settlement agreement, board meeting minutes, board policies, and payroll records for one administrator whose District contract was bought-out during the 2010-11 and 2011-12 school years.

## Methodology

### *What are internal controls?*

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

*Government Auditing Standards* require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies and reimbursements and pupil transportation.

Our audit examined the following:

- Records pertaining to pupil membership, bus driver qualifications, professional employee certification, reimbursement applications and deposited state funds.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.



## Findings and Observations

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### Finding No. 1

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### Incorrect Reporting of Vocational Education Membership Data Resulted in the District Receiving Excess Subsidy Payments of \$103,676

*Relevant PSC provisions and related criteria:*

Section 2502.8 (relating to Payments on account of pupils enrolled in vocational curriculums) of the PSC, 24 P.S. § 25-2502.8, provides, in part:

“(b) . . . each school district . . . shall be paid, in addition to any other subsidy to which it is entitled, an amount on account of students enrolled in vocational curriculums. . . .”

Section 339.1a (relating to Definitions) of the State Board of Education’s (SBE) regulations, 22 Pa. Code § 339.1a, defines a “Concentrator” as “[a] student who is at least 14 years of age and is enrolled full time in an approved career and technical education program that meets the requirements of this chapter.”

Section 339.22 (relating to Program content) of the SBE’s regulations, 22 Pa. Code § 339.22, provides, in part:

“(a) . . . (9)(i) The school entity may develop vocational education programs for any time length as long as they do not go below the minimums listed in this subsection. Vocational programs may range in duration from 1 year to 4 years, and the following represents the minimum total hours required for a program sequence: . . . (C) Three year sequence. A vocational technical education program consisting of 3 sequential years must provide a minimum total of 1,080 hours of vocational program instruction by the end of the program sequence.”

For the 2010-11 and 2011-12 school years, the District incorrectly reported vocational education student (VES) membership days to PDE, resulting in receipt of excess VES payments of \$103,676.

Based on a review of student records, as well as discussions with both District and PDE personnel, we found the District reported vocational education membership for students who had not taken all the required courses for the district-operated vocational education programs.

For the 2010-11 school year, we determined that only 25 of 186 students met the district-operated vocational education course requirements for VES eligibility. The reported membership days of the remaining students, who did not take the required courses, resulted in an overstatement of 28,220 membership days and a VES overpayment to the District of \$87,287. In addition, for the 2011-12 school year, we determined that only 12 of 41 students met the requirements for VES eligibility, resulting in another overstatement of 5,104 membership days and a VES overpayment of an additional \$16,389.

These errors were caused by District personnel’s misunderstanding of the minimum curriculum requirements for determining a student’s eligibility to be reported for VES.

Since this data is a major factor in determining VES, the district-operated vocational education membership must be maintained in accordance with PDE guidelines and instructions. We have provided a report to PDE detailing the errors, which can be used to recalculate the District’s VES for both school years.

*Relevant PSC provisions and related criteria (continued):*

In addition, Section 339.22 of the SBE's regulations provides for the following requirements, in part, in planning for vocational education programs based on the minimum time requirements listed in subparagraph (i) above:

“(a)...(9)(ii)...(B) A minimum of two planned courses shall be operated per year. These two planned courses shall be skilled courses. (C) Sequences shall be offered in consecutive years and the last year of the program will conclude in twelfth grade.”

Subsection (a)(9)(ii)(D) of Section 339.22 of the SBE's regulations defines the minimum requirements for a program to be eligible for vocational reimbursement. It is recognized that selected vocational programs may require more than the minimum hours to offer an effective education program.

Section 339.54 (relating to Subsidy on behalf of secondary vocational students) of the SBE's regulations, 22 Pa. Code § 339.54, provides:

“Only students who meet the definition of concentrators shall be included in the calculation of vocational average daily membership under the School Code.”

## **Recommendations**

The *Bangor Area School District* should:

1. Review district-operated vocational education program guidelines to ensure compliance with student membership reporting requirements.
2. Review vocational education reports already submitted to PDE for the school years following 2011-12 to determine if there were reporting errors for those years as well, and if so, submit revisions to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocation to recover the VES overpayments of \$103,676.

## **Management Response**

Management stated the following:

“The district has confused guidelines issued by the Pennsylvania Department of Education (PDE) with regard to Vocational Education membership reporting.

District will adhere to directives outlined by the Auditor General when reporting vocational educational students. Prior to reporting District personnel must carefully check course schedules completed by students and remove students classified as vocational enrolled students who initially enrolled for a vocational education program but failed to schedule or complete minimal vocational program courses as outlined.”

## **Auditor Conclusion**

We are encouraged that the District will more carefully evaluate vocational education membership and individual student's membership in this program. We will review the District's progress in this area during our next audit of the District.

## Finding No. 2

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### Errors in Reporting Membership Data for Non-resident Foster Children Resulted in an Underpayment to the District of \$39,583

*Criteria relevant to the finding:*

According to PDE's 2009-10 *Pennsylvania Information Management System (PIMS) User Manual*, all Pennsylvania local education agencies must submit data templates as part of the 2009-10 child accounting data collection. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: 1) District Code of Residence; 2) Funding District Code; 3) Residence Status Code; and 4) Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence.

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

Student membership reports submitted by the District to PDE for the 2010-11 and 2011-12 school years found reporting errors for foster children for the 2011-12 school year, resulting in an underpayment of \$39,583. No errors were found for the 2010-11 school year.

Coding errors made by the District in PDE's Pennsylvania Information Management System (PIMS) reporting system resulted in the underreporting of foster children membership days, as follows: 178 days for full-time kindergarten student memberships, 326 days for elementary, and 252 days for secondary.

PDE has been provided a report detailing the 2011-12 errors in order to recalculate the District's reimbursement.

#### Recommendations

The *Bangor Area School District* should:

1. Strengthen internal controls to ensure student membership is accurately reported in accordance with PDE guidelines as follows:
  - a. Implement PDE guidelines set forth in its PIMS user manual for inputting data.
  - b. Prepare timely reconciliations of foster children's placing-agency letters with District reports to ensure that student membership is properly classified.
  - c. Perform a timely secondary review of membership summary reports prior to submission of final reports to PDE.
2. Review reports already submitted to PDE for the school years following 2011-12 to determine if coding errors resulted in incorrect reporting for those years as well, and if so, submit revisions to PDE.

The *Pennsylvania Department of Education* should:

3. Adjust the District's allocations so that it can recover the underpayment of \$39,583.

### **Management Response**

Management stated the following:

“School district representatives failed to realize the funding for foster students was coded incorrectly when reporting this information to the Pennsylvania Department of Education (PDE).

School district representatives have since identified two different locations on the student information system (SIS) where the funding school district information is being maintained. Neither one of these fields automatically populates the other nor are the fields easily reconciled for accuracy. School district personnel now realize this information is being maintained in two areas on the SIS and understand which one of these fields must be maintained in order to accurately report information to PDE. Requests to have the duplicate entry location removed by the software provider from the SIS have so far been unsuccessful. District personnel will need to be more diligent in ensuring this information is accurate prior to reporting.”

### **Auditor Conclusion**

We are pleased that the District believes it has found a solution to these errors in reporting non-resident membership. We will review this corrective action during our next audit of the District.

**Finding No. 3** →

**In 2012-13, the District Paid Over \$142,000 to its Former Superintendent for Consulting Services that Appear to have not been Provided. In Addition, More Than \$18,000 of Payments Were Improperly Reported as Eligible Retirement Wages**

*Criteria relevant to the finding:*

The District entered into an Agreement to Alter Employment and General Release (Agreement) with the former Superintendent. The Agreement included the following provisions, in part:

“Term. Except as otherwise specifically stated herein, the term of this Agreement shall commence on June 28, 2012 and terminate on July 31, 2013 (“Termination Date”).

“Resignation Date. [The superintendent] will resign her commission as superintendent of the District effective July 6, 2012. The District’s School Board of Directors’ (“Board”) action is expected at the Board meeting of June 28, 2012. [The superintendent’s] resignation as Superintendent of Schools is conditioned upon [her] being contemporaneously hired as a Consultant for Curriculum and Special Education Services . . .”

“Consultant Fee. A bi-weekly consultant fee in the amount of Four Thousand, Eight Hundred and Seven Dollars and Seventy Cents (\$4,807.70) beginning upon exhaustion of all personal and vacation days and terminating upon July 31, 2013, except as otherwise set forth herein.”

The Board of School Directors (Board) hired its former Superintendent as a curriculum and special education services consultant immediately upon her resignation in July 2012. Under an Agreement to Alter Employment and General Release (Agreement), the Board agreed to pay the former Superintendent \$125,000 in consulting fees, \$1,500 in doctoral stipends, and additional benefits over approximately 12 months through July 31, 2013 through the District’s accounts payable. The District’s administration was unable to provide our auditors with evidence that the former Superintendent performed any work for the District during the period for which she had an agreement and was paid as a consultant. As a result of this agreement, the District paid the former Superintendent a total of \$142,608 in fees and benefits for the period.

Also, the District’s administration improperly reported \$18,975 of the former Superintendent’s compensation during this period to the PSERS for inclusion in her retirement even though this compensation was ineligible under the PSERS Employer Reference Manual guidelines.

**Auditors found no evidence of actual consulting services provided by the former Superintendent, who was paid over \$142,000 for such services.**

According to the Agreement, the former Superintendent was required to first exhaust all remaining personal and vacation days before the District would begin to pay her a consulting fee through the District’s accounts payable. The period for which she was paid these earned but unused days spanned from July 6, 2012 through September 7, 2012. Our audit finding with regard to this compensation, totaling \$18,975, is explained in the next section.

After first being paid through District payroll for her required personal and vacation days, the former Superintendent received the following consulting fees, stipend, and benefits:

*Criteria relevant to the finding (continued):*

“Doctoral Stipend. A doctoral stipend as previously provided [the superintendent] pursuant to her employment as Superintendent to be paid in equal bi-weekly payment of Fifty Seven Dollars and Seventy Cent (\$57.70), beginning July 6, 2012 and terminating July 31, 2013, except as other set forth herein . . .”

“Independent Contractor. It is understood and agreed by the Parties hereto that [the superintendent], while engaged in carrying out and complying with any of the terms and conditions of this Agreement, on or after July 6, 2012, shall be an independent contractor and shall not be an officer, agent, or employee of the District. As such, except as otherwise specifically for the herein, [the superintendent] is not entitled to the benefits provided by the District to its employees, including, but not limited to, pension plan enrollment, vacation leaves of absence, workers’ compensation insurance or unemployment compensation insurance. The District is interested only in the results obtained under this Agreement; the manner and means of conducting the work are under the sole control of [the superintendent].”

Category	Amount
Consulting fees <sup>1</sup>	\$114,972
Doctoral stipend <sup>1</sup>	1,434
Retirement supplement	13,705
Health insurance	12,497
<b>Total</b>	<b>\$142,608</b>

According to the District’s current business manager, the former Superintendent did not provide any consulting services to the District for the period for which she was paid these fees per the Agreement. In addition, the District was unable to produce any documentation defining her duties or the scope of services she was to have provided to the District. Therefore, it is unclear what benefit, if any, the District received in exchange for the \$142,608 it paid to or on behalf of the former Superintendent.

While the Agreement stipulated that the former Superintendent would receive a bi-weekly consulting fee of \$4,807.70, we found no documentation supporting that any consulting services were actually provided to the District for this bi-weekly fee. Furthermore, the Board appears to have abandoned its fiduciary responsibility when it entered into the Agreement itself, as demonstrated in the following excerpt:

Notwithstanding the foregoing, nothing in this Agreement shall prevent [the superintendent] from not performing or agreeing to perform District-directed Consultant services nor can [her] failure to perform such services in whole or in part be deemed to be a cause for termination of this Agreement, which must be honored in any event . . .

<sup>1</sup> These totals include payroll payments for 7.5 days that were to be paid as consulting fees through accounts payable since leave was exhausted. These payments were equal to \$3,606 for consulting wages and \$43 for doctoral stipends for a total of \$3,649 ineligible PSERS wages. Payments to the former Superintendent for unused days made prior to the consulting payments and subsequent to her employment termination date caused the actual payment of \$114,972 for consulting fees and \$1,434 for the doctoral stipend to be a reduction from the agreed upon amount of \$125,000 and \$1,500, respectively.

In other words, even if the former Superintendent performed no services for the District, she would still get paid.

The Board did not disclose its reason for entering into such an Agreement, and by not doing so, the general public was deprived of an opportunity to discuss and question its merit.

**The District incorrectly included \$18,975 as eligible retirement wages.**

Between July 6, 2012 and September 7, 2012, while acting as a consultant and no longer as an employee of the District, the former Superintendent was paid \$15,326 for 31 unused personal and vacation days. These payments were included in the District's payroll, as eligible retirement wages, as if the former Superintendent were still employed and taking leave from July 6, 2012 through September 7, 2012. Payments for unused vacation and personal leave, however, are not eligible for retirement purposes.

The Agreement stated that, commencing July 6, 2012, the former Superintendent could no longer perform any statutory or non-statutory responsibilities as the District Superintendent, which was her effective resignation date. This reinforces the fact that she was no longer an employee of the District. Therefore, the District incorrectly included these payments for unused leave as eligible retirement compensation reported to PSERS. According to the *PSERS Reference Manual*, only full-time or part-time employees who work five days a week or its equivalent are eligible for PSERS participation.

Also, due to a clerical error, District personnel paid the former Superintendent \$3,649 through payroll rather than accounts payable for consulting fees and doctoral stipends, causing retirement wages to be further over-reported.

Payments made to the former Superintendent subsequent to September 7, 2012, were appropriately not included in payroll and, therefore, not included as PSERS compensation.

## **Recommendations**

The *Bangor Area School District's Board* should:

1. Require all of its professional services agreements to clearly define the following:
  - Type of services to be provided
  - Time-keeping requirements
  - Criteria by which the quality of services will be gauged by the District
  - Remedies for low and non-performance of services
2. Disclose in advance to the general public the reasons for entering into consulting or other agreements with soon-to-be retired or former employees, such as superintendents.
3. Implement procedures for timely review of salary and contribution reports to ensure that only eligible compensation is reported to PSERS for retirement contributions.

The *Public School Employees' Retirement System* should:

4. Review the propriety of the compensation reported for the former Superintendent and make any necessary adjustments.

## **Management Response**

Management stated the following:

“Part 1: Management waives the opportunity to reply at this time.

Management does not enter into Memorandums of Understanding and defers this portion of this finding to the Board of Education.

Part 2: Management waives the opportunity to reply at this time. Management also disagrees with the finding.

Management does not enter into Memorandums of Understanding and defers this portion of this finding to the Board of Education.



Management believes the comment “the Board appeared to have abandoned its fiduciary responsibilities” to be subjective and conjecture. Because the District is bound by confidentiality regarding this Agreement, the reasoning behind the Agreement cannot be disclosed. Furthermore, regarding the amount paid in question, it should be noted the District did not fill a position vacated because of this Agreement. Although the District did not receive any consulting services from the former superintendent, it did not incur any additional expense because of the Agreement.

Part 3: Management partially disagrees with the finding. Management acknowledges that the District mistakenly overpaid \$3,649.03 in consulting services from payroll that should have been paid through accounts payable. Therefore, management believes that retirement wages were overstated by \$3,649.03 which is the equivalent of 7.5 days and believes these are the figures PSERS should utilize when reviewing this employee’s retirement file.

Management disagrees with the finding that \$15,326 was incorrectly included as eligible retirement wages. As permitted by PSERS, payments to employees who are on vacation or personal leave are eligible for retirement purposes. As per the Agreement with the former superintendent, all personal and vacation days were to be exhausted before the consulting payments were to begin. Thus, her compensation as a consultant did not begin until all her vacation and personal days were used and such compensation is PSERS eligible and counts as service time. All wages were reported and paid on a per diem basis over the course of time. If the District would have paid her vacation and personal days in a lump sum, then that payment would have been ineligible for PSERS. This has been confirmed with PSERS personnel.”

### **Auditor Conclusion**

It is the responsibility of the Board to be fiscally responsible when entering into contracts and agreements.

The Board entered into the Agreement and there is no evidence to suggest that it received the consulting services it paid for.

We are pleased that the District has identified the payroll error of \$3,649. We will review the District's corrective action during our next audit.

We do not make the final determinations regarding PSERS eligibility. We have provided PSERS personnel with a description of the compensation so they may determine the eligibility of the \$15,326 payments to the former Superintendent for personal and vacation days. We will review PSERS' final determination and any corrective action taken by the District regarding this issue during our next audit.

Management confirmed it paid for and did not receive consulting services. The District was unable to provide any documentation which supports this decision was in the best interest of the taxpayer. Therefore, the finding will stand as written.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Bangor Area School District did not include any findings or observations.

## **Distribution List**

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This report 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**  
Secretary of Education  
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Harrisburg, PA 17126

**The Honorable Timothy Reese**  
State Treasurer  
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