

SCHOOL DISTRICT OF THE CITY OF YORK  
YORK COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MARCH 2012



The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Ms. Margie Orr, Board President  
School District of the City of York  
31 North Pershing Avenue  
York, Pennsylvania 17401

Dear Governor Corbett and Ms. Orr:

We conducted a performance audit of the School District of the City of York (SDCY) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period April 24, 2009 through February 18, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the SDCY complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER  
Auditor General

March 29, 2012

cc: **SCHOOL DISTRICT OF THE CITY OF YORK** Board Members



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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 School District of the City of York (SDCY). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the SDCY in response to our prior audit recommendations.

Our audit scope covered the period April 24, 2009 through February 18, 2011, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

### **District Background**

The SDCY encompasses approximately 5 square miles. According to 2000 federal census data it serves a resident population of 40,968. According to District officials, in school year 2007-08 the SDCY provided basic educational services to 5,968 pupils through the employment of 457 teachers, 315 full-time and part-time support personnel, and 35 administrators. Lastly, the SDCY received more than \$55.6 million in state funding in school year 2007-08.

### **Audit Conclusion and Results**

Our audit found that the SDCY complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance related matters reported as findings. In addition, one matter unrelated to compliance is reported as an observation.

**Finding No. 1: District's Inadequate Documentation Resulted in Questionable Reimbursements.** Our audit of child accounting data for the 2007-08 and 2006-07 school years found numerous child accounting errors and inadequate documentation for resident and nonresident membership data (see page 6).

**Finding No. 2: Certification Deficiencies.** Our audit of professional employees' certification found 25 individuals with certification deficiencies (see page 13).

**Observation: The District Will Pay an Estimated \$326,354 as a Result of Prematurely Terminating the Superintendent's Employment Contract.** On November 19, 2008, the SDCY entered into an employment contract with the SDCY's Superintendent for the period of November 19, 2008 to June 30, 2013. Effective September 15, 2010, the Superintendent was terminated without cause, triggering provisions in the contract forcing the SDCY to make payments estimated to be \$326,354 (see page 15).

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

With regard to the status of our prior audit recommendations to the SDCY from an audit we conducted of the 2005-06 and 2004-05 school years, we found the SDCY had not taken appropriate corrective action in implementing our recommendations pertaining to membership reporting errors (see page 20) and certification deficiencies (see page 21).

We found that the SDYC did not take appropriate corrective action regarding transportation reimbursement overpayments (see page 22), conflict of interest transactions (see page 22), and bus drivers' qualifications (see page 23).



## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the 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, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, 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 April 24, 2009 through February 18, 2011, except for the verification of professional employee certification which was performed for the period February 19, 2009 through February 2, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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 Department of Education (DE) 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 SDCY's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ In areas where the District receives state subsidy and reimbursements based on payroll (e.g. Social Security and retirement), did it follow applicable laws and procedures?
- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

## **Methodology**

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

*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 applicable laws, contracts, grant requirements and administrative procedures.

SDCY management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records.

Additionally, we interviewed selected administrators and support personnel associated with SDCY operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on January 8, 2010, we reviewed the SDCY's response to DE dated March 17, 2010. We then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

### Finding No. 1

### District's Inadequate Documentation Resulted in Questionable Reimbursements

*Criteria relevant to the finding:*

Section 1332 of the Public School Code (PSC) requires that reports of enrollments, attendance, and withdrawals be maintained for all children.

Section 518 of the PSC requires that records be retained for a period of not less than six years.

Guidelines from DE state that "since Child Accounting data is used to pay various state subsidies, it is critical that forms, along with source documentation, be maintained so that the Auditor General's Office can determine whether public resources were properly accounted for and used as they were intended. It is management's responsibility to maintain relevant evidence to support Commonwealth subsidy payments. The district's failure to comply with the provisions of the School Code may result in an audit finding."

Section 1357 of the PSC provides:

The [Secretary of Education] upon due hearing, after two (2) weeks' written notice to the board of school directors affected, may withhold and declare forfeited any part, or all, of the State appropriation of any school district which refuses or neglects to comply with and to enforce the provisions of this article in the manner satisfactory to him.

Our audit of the School District of the City of York (SDCY) child accounting data for the 2007-08 and 2006-07 school years found numerous child accounting errors and inadequate documentation for resident and nonresident membership data. These deficiencies resulted in the questionable validity and reliability of the membership data reported by the District to the Department of Education (DE). As a result, we could not calculate the necessary changes to the membership data reported to DE for the years audited. These deficiencies also resulted in our inability to verify the District's entitlement to subsidies totaling \$9,354,323. The apparent errors were as follows:

	Basic Education <u>Funding*</u>	Special Education <u>Subsidy*</u>	<u>Tuition for Children Placed in Private Homes</u>	<u>Totals</u>
2007-08	\$5,672,550	\$143,867	\$ 33,883	\$5,850,300
2006-07	<u>3,241,459</u>	<u>174,586</u>	<u>87,978</u>	<u>3,504,023</u>
Totals	<u>\$8,914,009</u>	<u>\$318,453</u>	<u>\$121,861</u>	<u>\$9,354,323</u>

\*Amounts shown for basic education funding and special education subsidy are calculated as allocations less the prior year guarantee

Our audit of resident and nonresident membership data found potential errors in 13 of 51 school terms for the 2007-08 school year and in 16 of 46 terms for the 2006-07 school year, with some of the terms containing multiple errors. Due to inadequate documentation and the turnover of personnel responsible for this data, we could not determine why these errors occurred.

### Residency Classification Errors

Our audit found residency classification errors for the 2007-08 and 2006-07 school years affecting membership data reported for both resident and nonresident students. Due to the inadequate documentation and turnover of child accounting personnel, we could not determine why these errors occurred.

Our audit of nonresident membership documentation and membership printouts identified 55 and 57 possible nonresident students for the 2007-08 and 2006-07 school years, respectively. Some of these students were reported as nonresident students, while some had nonresident codes on the membership printouts but their membership days were classified as resident membership. Based on our review of the available documentation, we determined that the following types of residency classification errors had occurred. However, due to inadequate documentation, we could not determine the extent of some of these errors.

1. District personnel reported membership for nonresident students placed in private homes as resident membership. The students were coded on the District's membership printouts as either a resident or a nonresident child placed in a private home. Due to missing agency placement letters and inaccurate residency codes, we could not determine if all of the nonresident students placed in private homes had been identified. The District does not have adequate procedures in place to properly identify students who should be reported as nonresident students placed in private homes.
2. District personnel reported membership for resident institutionalized students educated through the Lincoln Intermediate Unit #12 (LIU) as membership for nonresident children placed in private homes, or as nonresident institutionalized wards of state. Instructions from the LIU stated that the membership was to be reported as resident membership, and the District had documentation showing that these students were residents of SDCY.

3. District personnel reported membership for students with nonresident codes on the District's membership printouts as resident membership. We could not determine the appropriate residency classification for these students because current District personnel were unable to provide any supporting documentation. In addition, a turnover in District personnel also prevented us from determining why these students were reported as residents when they were coded as nonresidents.
4. The District's membership printouts contained nonresident codes for certain students who were accurately reported as residents, based on the documentation provided. While the data was accurately reported to DE, the membership printouts were inaccurate. Again, we were unable to determine the cause of this error.

#### Resident Membership Errors

We also noted errors that affected only resident membership data reported to DE.

1. SDCY membership printouts provided to us did not agree with the data reported to DE for the 2007-08 and 2006-07 school years.

For the 2007-08 and 2006-07 school years, District personnel could not provide the original printouts used to report District operated program data to DE. As a result, they had to re-generate the membership printouts. However, some of these printouts did not match the data reported to DE. Due to the turnover of District personnel, we could not determine why the original printouts were not retained in the appropriate manner or why the differences occurred.

District personnel could not locate the 2006-07 membership printouts that they used to report data to DE for the York County School of Technology (YCST). District personnel obtained copies from the YCST, but these printouts did not agree with the data reported to DE. Due to the turnover of District personnel, we could not determine why these differences occurred.

In addition, in 2006-07 the data reported to DE did not agree with the LIU membership printout for one term. Again, we could not determine why this difference occurred due to the turnover of District personnel.

2. We found that membership data for six special education students in District-operated programs, and for one group of LIU students, were not reported to DE for the 2007-08 and 2006-07 school years, respectively.
3. In 2007-08, District personnel double-reported membership data for two of the LIU terms.
4. In 2006-07, District personnel made data entry errors in transferring data for students of Mission Homes, an alternative education facility, to DE reports. These errors resulted in some of the membership data being reported to DE under incorrect grades, and resulting misclassifications of membership days for elementary and secondary classifications. The clerical errors also resulted in data being missed for one grade.
5. In 2006-07, District personnel used District-generated membership printouts instead of the reports from the York County High School (YCHS) to report membership data for YCHS students. There was no reconciliation between the reports, which resulted in differences between the reports not being detected. These membership differences included variations in the calendars used to compute the data, differences in entry and withdrawal dates, and disparities in the students reported for the day and evening programs at YCHS, each of which had different term lengths.

In addition, District personnel made a data clerical error in attempting to add together the membership for two different groups of YCHS seniors.

6. In 2006-07, District personnel reported a term of 180 days for Challenge Academy, an alternative education facility. However, the membership printout for these students was based on a 183-day term. Documentation was inadequate to determine the actual term. As a result, no adjustments could be made.

### Nonresident Errors

We also found additional errors in the nonresident membership data reported to DE for the 2006-07 school year.

1. District personnel reported one student's membership days as a parent-paid tuition membership. However, District personnel could not provide any documentation to support whether this classification was accurate. Current District personnel believe that there were no parent-paid tuition students during the years of audit.
2. District personnel reported 180 days of District-paid tuition membership for students in the District's performing arts program. However, review of the membership printouts found only one student, with 178 days of membership, who had the residency code as a nonresident District-paid tuition student.

### **Recommendations**

The *School District of the City of York* should:

1. Require the child accounting coordinator to consult with DE child accounting personnel to obtain an understanding of the required procedures for maintaining and reporting membership data.
2. Require the current child accounting coordinator to attend training that is offered on child accounting by DE.
3. Establish internal controls to help ensure that all nonresident students are accurately identified.
4. Provide training to all District personnel involved in the child accounting function to ensure that they are aware of the different residency classifications and the type of documentation that must be obtained and maintained for each type of residency classification.
5. Review residency classifications for all students, compare these classifications to the membership records, and make appropriate changes to the membership records to ensure accuracy.



6. Ensure all membership is reported in accordance with instructions from other local education agencies (LEA) and DE.
7. Review documentation for students with nonresident membership codes, ensure that the District has adequate documentation to support the nonresident codes, and report the membership for these students under the appropriate nonresident classification.
8. Maintain a copy of final membership printouts in such a manner that they can be retrieved for audit purposes.
9. Develop review procedures which will ensure that membership data is not double-reported.
10. Compare final membership printouts with the data reported to DE to ensure agreement and to help ensure that there are no errors in transferring data to DE reports. If adjustments are necessary, these adjustments should be made and noted on the membership printouts.
11. Develop review procedures to ensure that membership data for all students is reported to DE.
12. Report membership for students educated by other educational agencies, such as YCHS, based on the reports from those agencies, ensuring that the reports contain adequate information. If the District uses district-generated reports to report the data, they should ensure that the District reports are reconciled to membership reports from those agencies. NOTE: District personnel should review the membership reports for accuracy and if errors are found, those LEAs should be contacted to obtain revised reports which contain the necessary adjustments. All revisions should be noted on the original membership printouts and totals adjusted as necessary.
13. Develop procedures to ensure that manual calculations are accurate (e.g. a second level of review).

14. Ensure that school terms used to calculate membership data for the membership printouts agree with the terms reported to DE.
15. Ensure that nonresident days reported to DE agree with the data on the membership printouts.
16. Review subsequent years' reports, and if similar errors occurred, make any necessary adjustments and submit revised reports to DE.

The *Department of Education* should:

17. Review the propriety of the subsidies and reimbursements paid to the District.

### **Management Response**

Management stated the following:

The cause of the problem for the audited years ending June 30, 2007 and June 30, 2008 is the previous management's failure to take corrective action. The previous Child Accounting Clerk and the previous Business Manager have left the service of the district (as of February 2010 and August 2010, respectively). Current employees in those positions were greatly involved in searching for documentation for the audited years and have since become keenly aware of the documentation failures and which documentation standards and benchmarking techniques could have averted the failures of the past.

Correctively, the current Business Manager, Child Accountant, and other Business Office employees are working to apply appropriate documentation standards and benchmarking techniques to the current fiscal year (ending June 30, 2011). Once in place, the Business Manager and staff will work to apply the standards to fiscal years ending June 30, 2009 and June 30, 2010, in advance of the next audit. Employees will work to correct documentation deficiencies, and submit any corrections to the Department of Education, thereby justifying and reconciling any discovered deficiencies in the most accountable, responsible, and appropriate manner.

**Finding No. 2** →

**Certification Deficiencies**

*Criteria relevant to the finding:*

Section 1202 of the PSC provides, in part:

No teacher shall teach, in any public school, any branch which he has not been properly certificated to teach.

Section 2518 of the PSC provides, in part:

Any school district, intermediate unit, area vocational-technical school or other public school in this Commonwealth that has in its employ any person in a position that is subject to the certification requirements of the Department of Education but who has not been certificated for his position by the Department of Education . . . shall forfeit an amount equal to six thousand dollars (\$6,000) less the product of six thousand dollars (\$6,000) and the district's market value/income aid ratio.

Our audit of the School District of the City of York's professional employees' certification for the period February 19, 2009 through February 2, 2011, found the following deficiencies:

- Ten individuals served in certificated positions without holding the appropriate certificate or emergency permit. These positions included four special education teachers, one kindergarten teacher, one math teacher, one performing arts teacher, one health services manager, one social worker, and one acting assistant principal.
- Ten individuals who were assigned to the district's English Language Learner's Programs were certified in various areas but did not hold Program Specialist - English as a Second Language (ESL) certification. According to Certification Staffing Policies and Guidelines (CSPG) No. 68, "effective with the school year 2004-2005, all individuals providing English as a Second Language assistance/services must hold the Program-Specialist - ESL certificate."
- One individual certified in elementary education was assigned as a Pre-K counts teacher. This position required an Early Childhood N-3 certificate.
- Two individuals certified elementary education were assigned as Success for All Coordinators for Grades 6 through 8. While the elementary certificate was appropriate for grade 6, it was not appropriate for grades 7 and 8 after June 1, 2006.
- One individual certified in earth and space science was assigned to teach high school chemistry. According to CSPG No. 34, this individual needed to be certified in chemistry for this assignment.
- One individual assigned as a middle school science teacher served on a lapsed certificate.

Information pertaining to the certification deficiencies was submitted to DE's Bureau of School Leadership and Teacher Quality (BSLTQ), for review. BSLTQ confirmed these deficiencies. Therefore, the District is subject to subsidy forfeitures of \$1,018 and \$16,819 for the 2010-11 and 2009-10 school years, respectively.

**Recommendations**

The *School District of the City of York* should:

1. Take the necessary action required to ensure compliance with certification deficiencies.
2. Ensure only properly certified individuals holding current and valid certificates are allowed to teach District students.

The *Department of Education* should:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

**Management Response**

Management stated the following:

With the exception of the citation for [one individual], the District does not contest the audit findings. [This individual] was originally cited for the entirety of the 2010-2011 school year in her role as Success for All Coordinator at the middle school level. It should be noted that she obtained her Mid-Level English 7-9 certification on 04/01/11, so we do not believe we should be cited for the months of April, May or June.

**Auditor Conclusion**

As noted previously, BSLTQ reviewed the deficiencies and made its determination. They have been made aware of the District's position regarding the individual noted in management's response. DE will adjust the subsidy forfeitures if BSLTQ's further review warrants it. The finding will stand as written.

**Observation**



**The District Will Pay an Estimated \$326,354 as a Result of Prematurely Terminating the Superintendent's Employment Contract**

*Criteria relevant to the observation:*

Section 1073 of the Public School Code, 24 P.S. § 10-1073(a), requires school districts to enter into three-to five-year employment contracts with their superintendents.

On November 19, 2008, the School District of the City of York's (District) Board of Directors (Board) entered into an employment contract (Contract) with an individual to serve as the District's superintendent (Superintendent). The Contract had a term of four years and seven months, from November 19, 2008 to June 30, 2013, and provided the Superintendent with an annual base compensation of \$135,000, as well as a variety of benefits. The Contract further provided that the Board would determine the Superintendent's salary in future contract years based on its own discretion and on whether the Superintendent met performance expectations.

The Contract included the following provisions with regard to the early termination of the Superintendent's employment with the District:

- The School District expressly reserves all of its rights under the Educational Empowerment Act including, but not limited to, the right to terminate or rescind this contract at any time, for any reason or no reason, without penalty.
- The District Superintendent may resign at any time, provided the Board is given at least ninety (90) days' notice prior to the effective date of the resignation.
- For termination of this Agreement without cause by the School District prior to the expiration of its term, the District Superintendent shall receive severance pay in an amount equal to the then current annual base salary in effect. . . .

For termination of this Agreement with cause no severance package shall be payable to the District Superintendent.

On August 3, 2009, after eight months, the provisions of the Contract regarding the early termination of the Superintendent's District employment were amended, as follows:

- The School District expressly reserves its right to terminate this employment contract for cause as set forth in the School Code.
- For termination of this Agreement without cause by the School District prior to the expiration of its term, the District Superintendent shall receive severance pay in an amount equal to two times the then current annual base salary in effect. For termination of this Agreement without cause by the School District prior to the expiration of its term, the District Superintendent and her dependents shall also receive the core health insurance benefit for major medical, hospitalization, prescription drug and dental coverage's as indicated in the current and in effect Memorandum of Understanding with the York City Association of Administrative Personnel, with the School District paying 100 percent of the premium costs less employee contributions, co-pays, deductibles and conditions. Said benefits shall terminate when the District Superintendent becomes eligible for Medicare, or when she is provided any other insurance program by another employer or agency.
- For termination of this Agreement with cause this severance package shall not be paid to nor made available to the District Superintendent.

Effective September 15, 2010, the Board terminated the Superintendent's contract without cause at a special meeting on the same date, only one year and ten months into the term. This termination triggered the amended provisions in the contract described above, and will force the District to make the following payments to the former Superintendent, estimated to total \$326,354:

- **\$292,034:** Two times her then current annual base salary of \$146,017. The District is paying this amount out over a two-year period; and

- **\$34,320:** Major medical, hospitalization, prescription drug and dental coverage. These costs were based on the amount that the District had already paid to the Superintendent as of February 2011, plus the District's estimated costs over the same two-year period as the salary pay-out. However, because the Contract stipulates that the Superintendent will be paid until she finds new employment or receives Medicare, the District may incur additional charges.

Additionally, the District did not provide an explanation to the public regarding why it prematurely ended the Superintendent's contract. The Board's decision not to release a public explanation was documented in the District's September 15, 2011, board meeting minutes. The minutes indicate that a Board member asked the president if there was going to be a public explanation regarding the Superintendent's dismissal. The Board President stated that such an explanation would not be provided.

We commend the Board's foresight in negotiating termination provisions for the ending of the Superintendent's contract without cause. However, in agreeing to pay two times the former Superintendent's salary, plus medical benefits, the Board committed the District to expending an estimated \$326,354 over a two-year period. Such generous terms are not in the best interest of the taxpayers because the District will be spending a considerable sum of money over the next two years and not getting anything in return. If the Contract had not been amended, the District would still have been committed to paying her then current annual base salary of \$146,017, also generous terms. This situation is disconcerting particularly given the state's current economic climate and the fact that the District will likely see its revenue diminish in the near future.

## **Recommendations**

The *School District of the City of York* should:

1. Ensure that future employment contracts with prospective administrators do not contain overly generous early termination provisions that may negatively impact the District and its taxpayers.

2. Provide as much information as possible to the taxpayers of the District explaining the reasons for the termination of the Superintendent and justifying the District's expenditure of public funds.

### **Management Response**

Management stated the following:

The board disagrees with the observation statements as stated.

#### Cause of Problem

The Superintendent was hired by a previous School Board on November 19, 2008. The Superintendent's original contract dated November 19, 2008, approved by a previous School Board, provided only for a severance payment of one year's salary in the event the contact was terminated by the School Board without cause and no other severance benefits.

In the school board primary election in the spring of 2009, the results were clear that the then majority voting-bloc group of the School Board would be replaced with a new School Board in the November 2009 election and the new School Board would take over in early December 2009.

After the primary election in 2009, the then School Board majority voting-bloc group decided to amend the Superintendent's contract to provide for an additional year of severance pay and also added medical benefits for the Superintendent and her family, which amended contract was approved by the then School Board at its meeting on August 3, 2009.

On the first Monday of December 2009, the new School Board was sworn in.

During the Superintendent's tenure as superintendent, the school district's PSSA test scores consistently failed to make annual yearly progress (ayp). In addition, there was a serious deterioration of communication between the new School Board members and the Superintendent. The deterioration of communication was such that the school district could not move forward and the majority voting



bloc group of the new School Board felt that the school district's students could not continue on their current path and continue to fail to meet ayp requirements. Consequently, the new School Board voted to exercise its right to terminate the Superintendent's contract early.

Although the amount potentially payable to the Superintendent is high, there are/were approximately 7500 students in the school district which works out to \$43.51 per student to give our students a better chance to meet the ayp requirements.

Since the early termination of the Superintendent's contract on September 15, 2010, the school district has made substantial improvement in its ayp test results for the 2010-2011 school year, with 3 out of 6 elementary schools making ayp and both middle schools and the high school showing marked improvement.

#### Correction of the Problem

When the new School Board entered into a contract with its current Superintendent there was no severance provision in the contract.

In the future, if a Superintendent is to be terminated, the School Board will, to the extent permissible by law and taking into consideration that this would be a personnel matter and could end up in litigation, specify the reasons for such termination at an open public meeting.

#### **Auditor Conclusion**

While we are pleased that the District has provided an explanation for its premature termination of the former Superintendent's contract. In addition, we are also gratified that the District's current Board has chosen not to include such generous severance terms in the contract of its current superintendent. However, based on the generous terms of the termination provisions in the former Superintendent's contract and given the state's current economic climate, this observation will stand as written.

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

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Our prior audit of the School District of the City of York (SDCY) for the school years 2005-06 and 2004-05 resulted in five reported findings, as discussed below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the SDCY Board's written response provided to the Department of Education (DE), performed audit procedures, and questioned District personnel regarding the prior findings. As shown below, we found that the SDCY did not implement recommendations related to membership reporting errors and certification deficiencies. The SDCY did implement recommendations related to transportation errors, conflicts of interest and bus drivers' qualifications.

### **School Years 2005-06 and 2004-05 Auditor General Performance Audit Report**

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**Finding No. 1:            Membership Reporting Errors Resulted in a \$134,946 Net Underpayment of Subsidies and Reimbursements**

Finding Summary:    Our prior audit of pupil membership records for the 2005-06 and 2004-05 school years found errors in the data reported to DE. The errors resulted in a net underpayment of \$134,946.

Recommendations:   Our audit finding recommended that the SDCY:

1. Require the child accounting coordinator to consult with DE child accounting personnel to obtain an understanding of the required procedures for maintaining and reporting membership data for the various programs operated by the District.
2. Continue to require the child accounting coordinator to attend training sessions offered by DE and the Lincoln Intermediate Unit #12 (LIU).
3. Ensure nonresident student membership data reported is adequately reviewed, accurately reported, and supported by placing agency documentation.
4. Ensure computer calendars accurately reflect the days in session for each classification and that the days in session reported to DE and the computer calendar are in agreement.
5. Review membership data reported for years subsequent to the prior audit; if errors are noted, submit revised reports to DE.

We also recommended that DE:

6. Adjust the District's allocations to resolve the net underpayment of \$134,946.

Current Status:

Our current found that the SDCY had not implemented 5 of the 6 recommendations, resulting in the membership errors detailed in Finding No. 1 of this report (see page 6). The SDCY did implement Recommendation 2, which stated that the child accounting coordinator should continue to attend training sessions offered by DE and the LIU. We also found that as of January 25, 2011, resolution of the \$134,946 net underpayment was still pending final review by DE personnel. Therefore, we again recommend that DE adjust the District's allocations to recover the \$134,946 net underpayment.

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**Finding No. 2: Certification Deficiencies**

Finding Summary:

Our prior audit of the professional employees' certification for the period June 2, 2005 through February 18, 2009, found 24 certification deficiencies, resulting in subsidy forfeitures of \$69,984.

Recommendations:

Our audit finding recommended that the SDCY:

1. Take the necessary action required to ensure compliance with certification deficiencies.
2. Ensure only properly certified individuals holding current and valid certificates are allowed to teach District students.

We also recommended that DE:

3. Adjust the District's allocations to recover the appropriate subsidy forfeitures.

Current Status:

Our current audit found that the District did not implement our recommendations, as detailed in Finding No. 2 of the current report (see page 13). As a result of actions taken by the Bureau of School Leadership and Teacher Quality, the subsidy forfeitures were revised from \$69,984 to \$72,268, and this amount was withheld from the District's December 2010 payments.

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**Finding No. 3:           Transportation Reimbursement Overpayments of \$21,831**

Finding Summary:   Our prior audit of the SDCY transportation records for the 2005-06 and 2004-05 school years found errors in data reported to the DE, which resulted in transportation reimbursement overpayments of \$6,866 and \$14,965, respectively.

Recommendations:   Our audit finding recommended that the SDCY:

1.   Establish an internal review procedure to ensure the accuracy of transportation data elements prior to that data being reported to DE for reimbursement.
2.   Review reports for the years subsequent to the prior audit period and, if errors are found, submit revised reports to DE.

We also recommended that DE:

3.   Adjust the District’s allocations to recover the overpayments of \$21,831.

Current Status:       Our current audit found that the District implemented our recommendations. We also found that DE has not yet adjusted the District’s allocations to recover the overpayments of \$21,831. Therefore, we again recommend DE recover the overpayments.

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**Finding No. 4:           Possible Conflict of Interest Transactions**

Finding Summary:   Our prior audit of the District’s records and board members’ Statements of Financial Interests (SFIs) found possible conflict of interest transactions.

Recommendations:   Our audit finding recommended that the SDCY:

1.   Require that the administration strengthen controls regarding the review of SFIs, to help ensure detection of any potential conflicts of interest.
2.   Strengthen controls to help ensure compliance with state laws regarding board members conducting business with the District.

We also recommended that the State Ethics Commission:

3.   Review and investigate this possible conflict of interest.

Current Status: Our current audit found that the District did implement our recommendations. However, the State Ethics Commission did begin an investigation of the District, and this review was ongoing. Therefore, we did not have any information on the commission's final determination.

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**Finding No. 5: District Files Lacked Evidence of Valid Bus Drivers' Qualifications**

Finding Summary: Our prior audit of the District's records for bus driver qualifications found that District personnel could not provide documentation that all contractor drivers had the proper qualifications. The missing documentation for three drivers was subsequently obtained by the District.

Recommendations: Our audit finding recommended that the SDCY:

1. Enforce the terms of the transportation contract and ensure that the contractor has provided copies of all licenses, physical examinations, and clearances prior to drivers being allowed to drive on District routes.
2. Maintain files separate from the contractor, and ensure that all contracted drivers' licenses, physical examinations and clearances are current and valid.

Current Status: Our current audit found that the District did implement the recommendations.



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