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## News for Immediate Release

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### Auditor General DePasquale Says City of York School District Improves Finances, Must Get Better at Record Keeping, Accountability

*Audit finds \$104,000 in initially undocumented credit card charges, problems with IT inventory*

**YORK, PA** – Auditor General Eugene DePasquale said today a recent performance audit of the City of York School District found its financial position is improving, but the district must ensure better accountability, oversight and transparency in its business operations.

“York City School District is definitely in a better financial position today than it was just a few years ago,” DePasquale said. “However, despite improvements in certain fiscal benchmarks, it must correct the lack of oversight and transparency issues, including those associated with its information technology inventory and wireless communication use.”

In December 2012, the Pennsylvania Department of Education (PDE) declared the district to be in Moderate Financial Recovery Status. Since then, the district has improved its financial standing by increasing its general fund balance and decreasing its debt; however, problems still persist.

The audit, which covered July 2010, through June 2015 has four findings and 18 recommendations for improvement.

#### Unsubstantiated and unmonitored credit card purchases, personal travel points earned

The auditors’ review of the district’s credit card practices revealed, during a five-year period, the district’s employee credit card charges more than quadrupled from \$58,363 in 2011-12 to \$235,981 in 2015-16.

Auditors also identified numerous issues related to the district’s credit card practices, including:

- Failure to have signed user agreements,
- Lack of fraud insurance,
- No spending limits on two credit cards,
- Multiple users on the same credit cards,
- Missing credit card receipts and other supporting documentation, and
- Credit cards kept open after employees’ separation.

**SCHOOL DISTRICT**  
of the  
**CITY OF YORK**

Audit results clearly demonstrate the need for proper recordkeeping, oversight, and more transparency.

**IMPROVED FINANCIAL STANDING**

The District has improved its financial standing, as indicated by an increase in its general fund balance & a decrease in its long-term debt.

2012-2015	2012-2015
Long-Term Debt <b>\$123 million</b>	General Fund Balance <b>\$17 million</b>
<b>\$107 million</b>	<b>\$2.7 million</b>

Long-term debt decreased by \$16.7 million, or 12 percent, since recovery status designation.

General fund balance increased from \$2.7 million in 2012-2013 to \$17 million in 2014-2015.

**UNMONITORED CREDIT CARD USE**

Credit card purchases were not monitored by district officials, resulting in thousands of dollars of unsubstantiated costs & possible misuse of public funds.

- \$236,000** charges in 2015-16 (quadrupled from 2011-12)
- \$10,000** in Amazon charges
- 16,679** personal travel reward points
- \$104,000\*** undocumented charges in 3 months

July 2015: 9 out of 18 travel related charges had no supporting documentation.

\* some documentation provided 8 months after requested

**Annual Wireless Costs**  
nearly tripled over 3 years:

Year	Cost
2013-14	\$51,372
2014-15	\$84,172
2015-16	\$144,571

- \$25,000** How much the district pays per year for wireless phone lines
- 41%** Percentage of IT equipment listed as missing or improperly tracked during audit review
- \$25/month** How much employees pay for personal use of district phones

**DISTRICT'S TECH ISSUES**

Our review revealed an IT inventory in shambles & wireless services that were unmonitored.

“It is appalling that a school district, especially one in moderate financial recovery status, failed to closely monitor credit card spending,” DePasquale said. “Such lack of oversight could make the district potentially vulnerable to credit card misuse and abuse.”

DePasquale noted that after repeated requests over several months the district was unable to produce any supporting documentation for three consecutive months of credit card charges, totaling more than \$104,000. Only after auditors provided the district with the draft audit findings, did the district provide some supporting documentation for the three missing months of charges from 2015.

In that documentation, auditors found more than \$10,000 in online purchases from one vendor were made on a single credit card and there were no vendor receipts for any of the charges. While documentation was eventually provided indicating most of the online charges were for instructional and support materials, hundreds of dollars of purchases still did not have vendor receipts. Charges to other vendors on various credit cards also lacked receipts.

Auditors also found that nine of 16 travel-related charges on a single credit card were without supporting documentation, and that that one employee may have personally benefitted from coordinating other employees’ travel through an online travel vendor by earning more than 16,000 travel points using a district credit card.

### **Unreliable inventory, wasted money, and outdated wireless policies**

In a review of IT inventory records, the district listed nearly 10,000 IT items, of which almost 4,000 or nearly 40 percent, were either laptop computers or digital tablets. However, the district was unable to provide a record of the cost of IT equipment purchased during the audit period, and inventory records reviewed by auditors were unreliable, showing IT equipment may be missing or misplaced.

Additionally, auditors found that the district had no standard procedures in place to ensure that obsolete or broken equipment was disposed of in compliance with the district’s policy and there was no agreement with, or board approval, of the equipment recycling vendor contract the district uses.

“As educational instruction relies more and more on technology, it is important that school districts adequately account for equipment so resources aren’t wasted simply because no one took time to write down where the computer tablets are stored,” DePasquale said.

Auditors also found problems with the district’s oversight and record keeping in relation to its wireless communications, noting the district also paid for numerous unused wireless lines at an estimated annual cost of \$25,000.

“What’s more, we found that the district policy permits district cellular phones and data plans to be used by employees for a measly \$25 per month,” DePasquale said. “That’s quite a deal: cell phone service providers certainly don’t offer deals like that to the rest of us!”

DePasquale noted however, only 36 cell phone lines were being reimbursed by employees, while another 223 lines were not being reimbursed by employees.

“Problem is,” DePasquale said, “No one was monitoring the usage of those cell not reimbursing the district to determine if they were only using them for business purposes.”

### **Improved finances, but insufficient oversight and accountability for business operations**

Since being declared to be in Moderate Financial Recovery Status by PDE in 2012, auditors found the district increased its general fund balance from \$2.7 million in 2012-13 to \$17 million in 2014-15 and decreased its long-term debt by \$15.7 million, or 12 percent.

“Those improvements are admirable, but we found the district’s fiscal operations were too centralized in the business office and sufficient information regarding recovery efforts, budgets, and other financial

activity was not provided to the school board,” DePasquale said. “As a result, the board didn’t have the adequate information to make well-informed decisions.”

The business office did provide monthly financial reports to the board, but those reports contained no written explanations for the variances between the budgeted and the actual revenues and expenses. An examination of the board meeting minutes found no evidence of any discussions or explanations of those variances and the district only made budget adjustments once at the end of the school year.

Additionally, auditors found weaknesses in the district’s recovery plan such as the district’s reliance on non-recurring or unpredictable revenue sources to meet expenditures, including a one-time acceleration of delinquent tax collection and additional state funding.

### **Overstated reporting of retirement wages**

Auditors also found the former business manager’s retirement wages in 2012 — as reported by the district — were overstated in reports submitted to the Pennsylvania State Employees' Retirement System totaling a possible ineligible payment of \$21,500 for a combination of unused leave time and severance pay.

The City of York School District audit report is available online at: [www.PaAuditor.gov](http://www.PaAuditor.gov)

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