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Auditor General DePasquale Says Early Termination of Superintendent Contract Broke Law, Cost Manheim Township Schools \$358,000

School board's lack of transparency prompted concern from residents, early audit

HARRISBURG – Auditor General Eugene DePasquale today said that the Manheim Township School District, Lancaster County, broke state law when it failed to publicly vote on the separation agreement with its former superintendent.

Termination of the contract cost the district at least \$358,000.

“School boards certainly have a right to terminate a superintendent’s contract. However, the process should be completely transparent and done legally,” DePasquale said. “The process Manheim Township School District used to terminate the former superintendent’s contract was neither.”

Intense public concern about the contract’s termination and other reported financial issues led to more than 25 people contacting DePasquale’s office and acceleration of the district’s regularly scheduled audit by approximately one year.

The audit of the district covers July 1, 2013, through June 30, 2016. The 15-page audit report includes one finding and three recommendations.

Broken law, lack of transparency

Auditors determined the Manheim Township School Board made two major procedural errors in terminating the former superintendent’s contract.

First, even though the board knew about the former superintendent’s resignation and actually signed the separation agreement, the item was deliberately omitted from the agenda for its Jan. 21, 2016, meeting. During the meeting, the board voted to amend the agenda to include the resignation.

“Details of the former superintendent’s resignation and resulting separation agreement were provided to the public by the news media, not by the board,” DePasquale said. “Simply making a motion to amend the agenda is inexcusable. Manheim Township School District taxpayers deserve more transparency.”

Second, auditors found, the board never publicly approved the separation agreement, which is a violation of the Public School Code (PSC).

In March 2016, the board voted on an addendum to the agreement, but a review of board meeting minutes showed the separation agreement itself was never voted on publicly.

“Pennsylvania’s Public School Code is very clear,” DePasquale said. “The law requires a public vote, and the Manheim Township School Board didn’t do that.”

Costly, Noncompliant Agreement

The PSC also requires superintendent contracts to specify termination, buyout and severance provisions.

Auditors found that, while the former superintendent's contract did contain some termination provisions, it did not specify the salary and benefit payments ultimately provided under the separation agreement.

In its response to the audit, district management agreed that all of the separation agreement terms were not specified in the original contract but contended that the agreement was in the best interest of the district.

"While I appreciate that Manheim Township School District officials believed they were acting in the district's best interest, the Public School Code requires good governance practices for a reason," DePasquale said. "The fact is that this separation agreement broke the law by providing benefits not included in the original contract."

The costs associated with the separation agreement were:

- \$172,000 in salary and retirement contributions for the former superintendent,
- \$63,350 in salary for the acting superintendent,
- \$17,000 for a search firm to find a new superintendent, and
- \$105,590 to investigate a related personnel matter.

The agreement also cost the district an unknown amount for the former superintendent's health care. Auditors could not determine this cost since the district is self-insured and costs are based on claims, which cannot be disclosed because of federal confidentiality laws.

"This termination agreement was costly," DePasquale said. "Every single dollar spent on contract buy-outs is one less dollar going to programs for students. School districts must carefully consider the financial impact of contract negotiations and buy-outs."

The Manheim Township School District audit report is available online at: www.PaAuditor.gov.

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