

Appendix A



COMMONWEALTH OF PENNSYLVANIA PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

Act 44 Auditee Reporting Form (School District Audits)

The Department of the Auditor General provides this form for every school district to report its adoption of the Department's recommendations in its most recent audit pursuant to Act 44 of 2017 amendments to The Fiscal Code regarding Auditee reporting requirements and the Department's STATEMENT OF POLICY and FORM in 4 Pa. Code Part XIV published in the Pennsylvania Bulletin on February 10, 2018.

Within **120 business days** of the publication of the audit listed below, the school district must submit a response to the Department detailing the adoption of the Department's recommendations, or the reason why recommendations have not been adopted.

AUN:	120452003	School:	East Stroudsburg Area School District	CAN:	110670
Audit Period:	July 1, 2013 to June 30, 2017	Findings:	One	Recommendations:	Two

District Response: (Textbox below will expand or attachments can be added as necessary)

The District's former CFO's compensation terms were insufficiently clear, and the salary increase clause was inappropriate. While the Department of Auditor General's cost analysis concerning the former CFO's contract language is accurate, the school board determined, on advice of counsel, that the Settlement Agreement cited by the DAG represented a small cost savings as compared to pursuing the litigation with the former CFO through to its conclusion. The increased costs to PSERS, while regrettable, are a function of PSERS's structure, and the school board believed at the time of the Settlement Agreement that further litigation would likely result in additional costs to both the district and PSERS.

Moving forward, the administration will adopt the recommendations of the Department of the Auditor General and recommend to the school board that:

(a) District Policy 328 be revised to require that administrator contracts have a clear, numerical salary schedule such that each year's salary is readily discernible, either as a dollar figure or an express percentage increase from the preceding year of the contract.

(b) the school board review existing contracts with the assistance of the board's solicitor, and propose appropriate revision of existing contracts to current administrators to bring the contracts into compliance with the revised Policy 328.

Note: Pursuant to Section 1.5 of Act 44, if the Auditee fails to respond to the Department's recommendations within **120 business days**, the Department will notify the Governor and the Chairpersons and Minority Chairpersons of the Appropriations Committees of the Senate and the House of Representatives, which may consider an Auditee's failure to respond to the Department's audit when determining the Auditee's future appropriations.



MEMORANDUM

TO: Tom McIntyre
FROM: Patricia L. Rosado
DATE: March 19, 2019
RE: Board Approval

Attached you will find the response to the Department of the Auditor General detailing adoption of the D.A.G.'s recommendations, as presented and in accordance with 4 Pa.Code §501.3, which was approved by the Board of Education at their Regular School Board meeting on Monday, March 18, 2019. Below you will find the Board's action:

v. 619 – District Audit

Action by the Board:

Motion was made by Richard Schlameuss to approve the response to the Department of the Auditor General detailing adoption of the D.A.G.'s recommendations, as presented and in accordance with 4 Pa.Code §501.3. Motion was seconded by Keith Karkut and carried unanimously, 9-0.

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: East Stroudsburg Area SD

Date: 2/11/19

Audit Period: 7/1/13 – 6/30/17

Date Due: 2/18/19

Comment: Finding X Observation Verbal

Title: A Flawed Employment Contract Caused the District to Incur Legal and Other Settlement Costs

- X Management agrees with the Finding
- Management disagrees with the Finding
- Management waives the opportunity to reply at this time

MANAGEMENT COMMENTS: (Please explain the cause of the problem and note what corrective action is planned. Please ensure that you respond to each recommendation point included in the draft comment. If necessary, attach additional paper.)

The District’s former CFO’s compensation terms were insufficiently clear, and the salary increase clause was inappropriate. While the Department of Auditor General’s cost analysis concerning the former CFO’s contract language is accurate, the school board determined, on advice of counsel, that the Settlement Agreement cited by the DAG represented a small cost savings as compared to pursuing the litigation with the former CFO through to its conclusion. The increased costs to PSERS, while regrettable, are a function of PSERS’s structure, and the school board believed at the time of the Settlement Agreement that further litigation would likely result in additional costs to both the district and PSERS.

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Additional pages attached: Yes No X

Signatures and Date:



Superintendent, Ex. Director, Director



Business Manager