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# COMMONWEALTH OF PENNSYLVANIA

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**A SPECIAL INVESTIGATION OF THE  
SCHOOL DISTRICT OF THE CITY OF YORK,  
YORK COUNTY**

*21<sup>st</sup> Century Community Learning Centers Grant Program*

November 2011

**JACK WAGNER, AUDITOR GENERAL**

**PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL**

November 14, 2011

The Honorable Ronald Tomalis  
Secretary of Education  
PENNSYLVANIA DEPARTMENT OF  
EDUCATION  
333 Market Street, 10<sup>th</sup> floor  
Harrisburg, Pennsylvania 17126-0333

The Honorable Samuel Beard  
President, Board of School Directors  
SCHOOL DISTRICT OF  
THE CITY OF YORK  
101 West College Avenue  
York, Pennsylvania 17401

Dear Secretary Tomalis and President Beard:

In July 2009, the Department of the Auditor General (“Department”) received a request from the United States Department of Education’s Office of Inspector General to assist in an investigation into an alleged misuse of public funds in the 21<sup>st</sup> Century Community Learning Centers Grant Program by the School District of the City of York (“District”).

Our Office of Special Investigations (“OSI”) joined the investigation in August 2009. OSI was asked to conduct interviews and review documents to ascertain whether taxpayer-funded grant money was misused by the District. Unless otherwise noted, the period under review was January 2008 through August 2009. This report contains the results of our investigation, which found:

The Pennsylvania Department of Education and the School District of the City of York squandered a total of at least \$834,000 of 21<sup>st</sup> Century Community Learning Centers Grant Program funds at the end of two grant periods for no other reason than to avoid having to return the unspent grant money to the federal government. The District wasted other taxpayer-funded grant money throughout the grant periods by purchasing items that were not needed and were never used.

Although OSI found instances of misuse of grant funds and assets, OSI found no instances in which funds or assets were stolen. However, we have made recommendations to help the District maintain better control over spending public funds and taxpayer-funded resources appropriately. We acknowledge that the District’s new business manager has already made a number of changes to the program, and we commend him for doing so. Nonetheless, we urge the District to implement all of the recommendations made in this report that apply to the District.

As you know, we furnished draft copies of this report to both the District and the Department of Education for their review and response. Those written responses and the comments of the Department of the Auditor General on the responses appear at the end of this report. We will follow up at the appropriate time with both entities to determine whether all of our recommendations have been implemented. In the meantime, we request a copy of the forthcoming report from the Office of the Budget on this matter, which is referenced in the Department of Education's response to the draft report.

A copy of this report is being sent to the United States Department of Education and its Office of Inspector General with the recommendation that proceedings be instituted against both the School District of the City of York and the Pennsylvania Department of Education to recover the approximately \$834,000 of misspent grant program funds identified in this report. We are recommending that the Pennsylvania Department of Education be included in such proceedings, just as it has been included in our finding and recommendations, due to its failure to provide leadership to the District with regard to the appropriate use of public funds.

This report is a public document and its distribution is not limited. Additional copies may be obtained through the Department's website, [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).

Sincerely,

/S/

**JACK WAGNER**  
Auditor General

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## TABLE OF CONTENTS

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Executive Summary .....	1
Background and Introduction .....	3
Findings:	
<u>Finding</u> : The Pennsylvania Department of Education and the School District of the City of York squandered a total of at least \$834,000 of 21 <sup>st</sup> Century Community Learning Centers Grant Program funds at the end of two grant periods for no other reason than to avoid having to return the unspent grant money to the federal government. The District wasted other taxpayer-funded grant money throughout the grant periods by purchasing items that were not needed and were never used. ....	6
Conclusions and Recommendations .....	14
Response of the School District of the City of York to Draft Report .....	16
Department of the Auditor General's Comments on the School District of the City of York's Response to Draft Report .....	18
Response of the Pennsylvania Department of Education to Draft Report .....	19
Department of the Auditor General's Comments on the Pennsylvania Department of Education's Response to Draft Report .....	23
Distribution List. . . . .	25

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## EXECUTIVE SUMMARY

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FINDING	RECOMMENDATIONS
<p>The Pennsylvania Department of Education (“PDE”) and the School District of the City of York (“District”) squandered a total of at least \$834,000 of 21<sup>st</sup> Century Community Learning Centers Grant Program funds at the end of two grant periods for no other reason than to avoid having to return the unspent grant money to the federal government. The District wasted other taxpayer-funded grant money throughout the grant periods by purchasing items that were not needed and were never used.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"><li>• Under the guidance and supervision of PDE, the unneeded items purchased by the District with taxpayer-funded grant program money should be redistributed to other school districts in this Commonwealth that are participating in the program and have a genuine need for the items.</li><li>• PDE must not encourage school districts to spend taxpayer-funded grant program money for no other reason than to avoid the funds reverting to the federal government.</li><li>• PDE should implement the practice of zero-based budgeting for taxpayer-funded grant programs in which the budget is based on the number of participants. Zero-based budgeting would curtail wasteful spending, because program budgets would be revised annually to take into account any changes in the level of student participation.</li><li>• The District should improve its administration of taxpayer-funded grant programs to ensure that the programs are operating efficiently and effectively for the benefit of students and taxpayers.</li></ul>

	<ul style="list-style-type: none"> <li>• The District must refrain from spending taxpayer-funded grant money unnecessarily, regardless of any external pressure to do so.</li> </ul> <p>A copy of this report is being sent to the United States Department of Education and its Office of Inspector General with the recommendation that proceedings be instituted against both the District and PDE to recover the approximately \$834,000 of misspent taxpayer-funded grant program money identified in this report. We recommend that PDE be included in these proceedings due to its failure to provide leadership to the District with regard to the appropriate use of public funds.</p> <p>We also recommend that the United States Department of Education and its Office of Inspector General thoroughly review the grant program to determine the extent to which needless, wasteful, and abusive spending of taxpayer-funded grant program money may have occurred in other school districts throughout the Commonwealth and the nation.</p>
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## BACKGROUND AND INTRODUCTION

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The School District of the City of York (“District”) encompasses approximately five square miles. During the 2009-10 school year, the District’s student population was 5,802 students; it employed 410 teachers, 320 support personnel, and 27 administrators; and it received more than \$61.5 million in state funding.

The 21<sup>st</sup> Century Community Learning Centers Grant Program (“Grant” or “Grant Program”) is a federal taxpayer-funded grant program designed to provide academic, artistic, and cultural enrichment opportunities for children, particularly students who attend high-poverty and low performing schools, to meet state and local standards in core academic subjects, to offer students a broad array of activities that can complement their regular academic programs, and to offer literacy and other educational services to the families of participating children.<sup>1</sup> These opportunities may take place before school, after school, or during holidays and summer recess.<sup>2</sup> Grants are competitively awarded to school districts, charter schools, education institutions, and community based organizations. In Pennsylvania, the Grant Program is administered by the Pennsylvania Department of Education (“PDE”).

The District participated in three cohorts of the Grant Program and spent a combined \$4.6 million over the seven-and-one-half year period from May 2003 through December 2010. Each “cohort,” generally defined as a group of students within a particular age range, was provided with its own distinct program with its own funding, guidelines, and reporting requirements. Funding may not be transferred between cohorts or used for non-grant related purposes.

### **Cohort 1: May 2003 through September 2005 (extended through September 2007)**

Under Cohort 1, the District was to provide after-school and summer programs to approximately 800 middle school students. Activities were to include tutoring, arts, fitness, talent development, counseling, and library activities. Initially, Cohort 1 was a three-year program, but it was extended for two additional years. Under the two-year extension of the contract, the District was to serve 300 middle school students and receive a reduction in grant funds.

A summary of the Grant amounts awarded and spent for Cohort 1 is shown in Table 1.

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<sup>1</sup> As authorized under Title IV, Part B of the Elementary and Secondary Education Act, and amended by the No Child Left Behind Act of 2001 (P.L. 107-110).

<sup>2</sup> Source: Program description located on PDE’s website: [www.portal.state.pa.us/portal/server.pt/community/21st\\_century\\_community\\_learning\\_centers/7414](http://www.portal.state.pa.us/portal/server.pt/community/21st_century_community_learning_centers/7414) (last accessed September 26, 2011).

**Table 1**  
***Cohort 1 Grant Amounts Awarded and Amounts Spent,  
2002-03 through 2006-07***

<b>School Year</b>	<b>Grant Amount</b>	<b>Amount Spent</b>
2002-03	\$ 450,000	\$ 80,351
2003-04	450,000	463,209
2004-05	450,000	368,992
2005-06	225,000	319,632
2006-07	225,000	343,422
<b>Total</b>	<b>\$1,800,000</b>	<b>\$1,575,606</b>

**Cohort 2: March 2005 through September 2007 (extended through September 2009)**

Cohort 2 was an after-school and summer program designed to serve 640 elementary school students from the District's six elementary schools. The program was to be held at two elementary schools and include activities for academic enhancement, relationship building, creative and recreational activities, and parental involvement. Originally a two-and-one-half year program, Cohort 2 was extended for two additional years. Under the two-year extension of the contract, the program was to serve approximately 150 students, operate at only one elementary school, and receive a reduction in grant funds.

Table 2 summarizes the Grant amounts awarded and spent for Cohort 2.

**Table 2**  
***Cohort 2 Grant Amounts Awarded and Amounts Spent,  
2004-05 through 2009-10***

<b>School Year</b>	<b>Grant Amount</b>	<b>Amount Spent</b>
2004-05	\$ 472,211	\$ 177,085
2005-06	472,211	258,253
2006-07	472,211	423,084
2007-08	236,105	326,225
2008-09	236,105	496,667
2009-10	0	168,259
<b>Total</b>	<b>\$1,888,843</b>	<b>\$1,849,573</b>

**Cohort 4: January 2008 through June 2010 (extended through June 2011)<sup>3</sup>**

Cohort 4 was an after-school and summer program for 450 middle and high school students. The after-school programs were held at three District buildings and were open to any

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<sup>3</sup> The District did not apply to participate in Cohort 3, and it was not awarded Cohort 5 funding.



middle or high school student within the District. The program was to include activities for academic achievement, social and emotional services, fitness and wellness programs, cultural and artistic activities, and parental involvement. Originally a three-year program, Cohort 4 was extended for one additional year. Under the one-year extension of the contract, the program was to serve 200 middle school students during the school year and 100 middle school students during the summer session. Additionally, the extension targeted at-risk students in grades seven and eight.

A summary of Grant amounts awarded and spent for Cohort 4 is shown in Table 3.

**Table 3**  
***Cohort 4 Grant Amounts Awarded and Amounts Spent,  
2007-08 through 2010-11***

<b>School Year</b>	<b>Grant Amount</b>	<b>Amount Spent</b>
2007-08	\$ 420,319	\$ 166,886
2008-09	420,319	600,383
2009-10	420,319	493,688
2010-11	210,160	To be determined
<b>Total</b>	<b>\$1,471,117</b>	<b>At least \$1,260,957</b>

The Department of the Auditor General’s Office of Special Investigations (“OSI”) conducted an investigation into the District’s use of Grant Program funds. At the request of the United States Department of Education’s Office of Inspector General (“ED-OIG”), this investigation was conducted jointly with an investigation that the ED-OIG had already begun.

The ED-OIG initiated its investigation in response to a complaint alleging that the District may have misspent approximately \$1 million of Grant Program funds from January 2009 through June 2009, because the District feared that the Grant funds would revert to the federal government if not spent by the deadline.<sup>4</sup>

Unless otherwise noted, the period under review was January 2008 through August 2009. The investigation included interviewing various individuals, verifying that assets purchased with Grant Program funds were located at the District, reviewing invoices and other documentation supporting Grant Program expenditures, and examining other relevant documents.

Our investigation resulted in the finding set forth in this report. A draft copy of this report was provided to the District for its review and response. The District’s response and our comments on the District’s response are included at the end of the report. Because several of our recommendations apply to the Pennsylvania Department of Education, we also furnished a draft copy of this report to that agency for separate response. PDE’s separate response and the comments of the Department of the Auditor General on the response also appear at the end of this report.

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<sup>4</sup> The District had been required to return the unspent portion of the grant funds to the federal government in a previous year.

**FINDING: The Pennsylvania Department of Education and the School District of the City of York squandered a total of at least \$834,000 of 21<sup>st</sup> Century Community Learning Centers Grant Program funds at the end of two grant periods for no other reason than to avoid having to return the unspent grant money to the federal government. The District wasted other taxpayer-funded grant money throughout the grant periods by purchasing items that were not needed and were never used.**

This investigation provides a perfect illustration of bureaucratic “empire building” and what is commonly known as the “use it or lose it” mentality with regard to the management of public funds that contributes to hidden waste in government programs at all levels. The investigation revealed that the School District of the City of York (“District”) did not need nearly all of the funding made available to it as a result of its participation in the 21<sup>st</sup> Century Community Learning Centers Grant Program.

In its application for a Grant under the program, the District vastly overestimated the number of students who would be participating in the programs financed by the Grant.<sup>5</sup> When it became apparent that actual student participation was much lower than anticipated, rather than reduce the budget and return unneeded Grant funds, the District needlessly spent more than \$834,000 of Grant funds at the end of the Grant periods.

Furthermore, a Pennsylvania Department of Education Program Officer (“PDE Program Officer”),<sup>6</sup> rather than urging the District to revise its budget and return any unneeded funds, firmly insisted that the District spend all Grant funds by the end of the Grant periods for no other reason than to avoid having to return the unspent Grant money to the federal government. Accordingly, due to PDE’s failure to provide leadership to the District with regard to the appropriate use of public funds, we have made this finding and the resulting recommendations applicable to both PDE and the District.

As summarized below, District employees told OSI that the PDE Program Officer insisted that the District spend unused funds rather than have the funds revert to the federal government:

- A September 15, 2008, email sent by the District’s Federal Program Grant Accountant to various District employees indicated that the PDE Program Officer

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<sup>5</sup> Although all three Grant contracts indicated enrollment numbers in the hundreds, the District’s former business manager, its 21<sup>st</sup> Century Program Director, and one of its elementary school principals all stated that participation was fewer than 100 students during the regular school sessions and approximately 125 students during the summer sessions. OSI reviewed the number of participating students during the 2009 summer session. Based on daily attendance sheets, as few as 54 and at most 131 students (of the 281 students who applied) actually participated in the daily sessions during the 2009 summer session.

<sup>6</sup> The individual who held this position at the time of the events described in this report is no longer employed by the Pennsylvania Department of Education.

would be coming to the District to discuss his goal, which was to prevent the District from losing the carryover funds, and, to avoid losing the carryover funds, the District had to spend approximately \$427,000 within 19 days.

- In a January 27, 2009, email, the District's Federal Program Grant Accountant instructed the District's librarians to spend a total of \$100,000 by ordering at least \$10,000 of materials for each of the District's nine libraries, and further, that the "materials have to be ordered and paid for by the end of March 2009," i.e., within approximately 60 days.
- An Assistant Superintendent of the District told OSI that he felt pressured again in the spring of 2009 to spend an additional \$407,000 of grant funds in a short period of time, because the PDE Program Officer was contacting him weekly in March, April, and May 2009 stressing that the District needed to find ways to spend the funds so that the funds would not revert to the federal government. In an email dated March 3, 2009, this Assistant Superintendent wrote to the District's 21<sup>st</sup> Century Program Director the following:

I received a call from [the PDE Program Officer] who explained to me that if we did not have the \$407,000 spent by the end of the month [March], it would be taken back. **We can not [sic] let that happen.**

In addition to the items purchased in haste at the end of the grant period under the "use it or lose it" mentality, many other items purchased with grant funds were never used. Most of this unneeded equipment and supplies are sitting *unused* in storage areas throughout the District.<sup>7</sup> Table 4 provides specific examples of items purchased, and the photographs following Table 4 show only two of several storage rooms in the District filled with items purchased with grant funds but never used.

**Table 4**  
***Examples of Wasteful Purchases and Current Status***

<b>Approximate Cost</b>	<b>Items Purchased</b>	<b>Status/Location (as of January 2011)</b>
\$1,500	Greenhouse Construction Materials	Greenhouse was never constructed. Items to use in a greenhouse are on inventory listing and should be in storage.
\$2,000	Storage Sheds (4)	Never assembled and in storage. <sup>8</sup>
\$6,000	Greenhouses (3)	Assembled but not used. At least one has been destroyed by weather conditions.

<sup>7</sup> Grant restrictions prohibit distribution of the equipment and supplies to the general student body.

<sup>8</sup> In a March 24, 2009, email, the District's Program Director questioned the use of the sheds: "I need to know what size, what kind (aluminum or plastic), and where they will be located . . . I am still uncertain as [to] how we will use the sheds for 21<sup>st</sup> Century as it will be inconvenient [sic] for the Site Coordinators to have to go to a storage shed to retrieve items they need for their site."

\$6,000	Tickets to Hersheypark (240)	Not used before expiration date.
\$43,000	Laptop Computers (60) and Computer Carts (3)	The computer carts, each holding 20 laptops, are stored in three different buildings. The grant program does not operate in any of the three buildings. The computers stored in the Administrative building are used for training purposes in violation of the grant agreement.
\$15,250	Wii Systems	Three “Dance Revolution” Wii electronic game systems were purchased but never used due to the lack of security and space.
Unknown	Recreational Equipment	Multiple table games, such as ping-pong, foosball, and air hockey, were stored in an Administrative building in which the grant program has never operated.
\$100,000	Books	Books were purchased and distributed to the District’s nine libraries. The books were never provided to the students and are now in storage.
Unknown	Assorted Recreational Equipment (2 Boxes)	Stored in the William Penn High School.
Unknown	Ball Lockers, Portable (2)	Stored in the Roosevelt Building.
Unknown	Ball, Energy (1)	Stored in the William Penn High School.
Unknown	Ball, Galleo Weather (1 Box)	Stored in the William Penn High School.
Unknown	Ball, Medicine (1+ Skid)	Stored in the Roosevelt Building and William Penn High School.
Unknown	Balls, Basketballs	Stored in the Roosevelt Building.
Unknown	Balls, Footballs (1 Box)	Stored in the William Penn High School.
Unknown	Balls, Play Ground	Stored in the Roosevelt Building.
Unknown	Balls, Soccer	Stored in the Roosevelt Building.
Unknown	Balls, Stability	Stored in the Roosevelt Building.
Unknown	Balls, Tuff	Stored in the Roosevelt Building.
Unknown	Bases, Throw Down (2 Boxes)	Stored in the William Penn High School.
Unknown	Batons, Pass-off Aluminum (1 Box)	Stored in the William Penn High School.
Unknown	Batons, Yellow Tube (1 Box)	Stored in the William Penn High School.
Unknown	Batter Cage Ball Set (1 Skid)	Stored in the William Penn High School.
Unknown	Batter for Cage Ball (1)	Stored in the William Penn High School.

Unknown	Beverage/Food Coolers (2)	Stored in the Roosevelt Building.
Unknown	Black Light	Stored in the William Penn High School.
Unknown	Build and Use Energy Models (1 Box)	Stored in the William Penn High School.
Unknown	Butterfly Pavilions (2)	Stored in the William Penn High School.
Unknown	Cage, Sports Equipment	Stored in the Roosevelt Building.
Unknown	Calculators, Large (12)	Stored in the William Penn High School.
Unknown	Calculators, Victor (1 Box)	Stored in the William Penn High School.
Unknown	Cart, Roll (1)	Stored in the William Penn High School.
Unknown	Chest, Black	Stored in the Roosevelt Building.
Unknown	Condiment Organizer	Stored in the William Penn High School.
Unknown	Cone, small bases (20)	Stored in the William Penn High School.
Unknown	Cones, Boundary	Stored in the Roosevelt Building and William Penn High School.
Unknown	Cones, Small (1 Box)	Stored in the William Penn High School.
Unknown	Dance Machine and Related Equipment	Stored in the Roosevelt Building.
Unknown	Decorations, Christmas	Stored in the Roosevelt Building.
Unknown	Dish Soap, Lysol Cleaner, and Hand Sanitizer	Stored in the Roosevelt Building.
Unknown	Disposable Gloves	Stored in the Roosevelt Building.
\$1,000 approximate*	Don't Lose Your Marbles Team Building Game (16 Boxes)	Stored in the William Penn High School.
Unknown	Drawer Trolley, Plastic (3)	Stored in both the Roosevelt Building and William Penn High School.
Unknown	Dry Erase Boards (28+)	Stored in both William Penn High School and the Roosevelt Building.
Unknown	Dual UHF Wireless Battery Powered Public Address	Stored in the Roosevelt Building.
Unknown	Dumbbells (2 Boxes)	Stored in the William Penn High School.
Unknown	Elmer's Glue (3+ Gallons)	Stored in the William Penn High School.
Unknown	Exercise Mats, Paddle Floor (1 Box)	Stored in the William Penn High School.
Unknown	Field Day Survival Kit Book	Stored in the William Penn High School.

Unknown	Fitness Step Carts (6 Boxes)	Stored in the William Penn High School.
Unknown	Floor Hockey Goal (1 Box)	Stored in the William Penn High School.
Unknown	Golf Clubs (1 Box)	Stored in the William Penn High School and the Roosevelt Building.
Unknown	Guardian Rockets (22)	Stored in the William Penn High School.
Unknown	Hamilton Beach Wave Maker (blender)	Stored in the Roosevelt Building.
Unknown	Hula Hoop Holders (21 Boxes)	Stored in the William Penn High School.
Unknown	Hula Hoops (16+ Boxes)	Stored in both the Roosevelt Building and William Penn High School.
Unknown	Hurdle Cone Sets, Adjustable (4)	Stored in the William Penn High School.
Unknown	Hurdles, Small (1 Box)	Stored in the William Penn High School.
Unknown	Jump Ropes (1 Box)	Stored in the William Penn High School.
Unknown	Karate Kick Boxing Head Gear and Gloves	Stored in the Roosevelt Building.
Unknown	Latex Balloons (2 Boxes)	Stored in both the Roosevelt Building William Penn High School.
Unknown	Library Cards	Stored in the Roosevelt Building.
Unknown	Lolly Pop Paddles (3 Boxes)	Stored in the William Penn High School.
Unknown	Mac Wheel	Stored in the Roosevelt Building.
Unknown	Magnavox Player	Stored in the Roosevelt Building.
Unknown	Mat, Exercise Floor (1+ Box)	Stored in the Roosevelt Building and William Penn High School.
Unknown	Mat, Long Jump	Stored in the Roosevelt Building.
Unknown	Mats, PAC Floor (6 Boxes)	Stored in the William Penn High School.
Unknown	Nets (10 sets)	Stored in the William Penn High School.
Unknown	Office Supplies: 3 Hanging File Folder Frames, 4+ Boxes Protector Sheets, 1+ Box Universal Hanging Folders, 1 Box Washable Markers, 1 Box Business Envelopes, 2 Boxes Twin Pocket Folders, and legal pads.	Stored in the Roosevelt Building and William Penn High School.
Unknown	Paper, Butcher	Stored in the Roosevelt Building.

Unknown	Paper, Colored	Stored in both the Roosevelt Building and William Penn High School.
Unknown	Paper, Construction (2+ Boxes)	Stored in both the Roosevelt Building and William Penn High School.
Unknown	Paper, Photo (1 Box)	Stored in the William Penn High School.
Unknown	Paper, White Tab (1 Box)	Stored in the William Penn High School.
Unknown	Pedometer (1 Box)	Stored in the William Penn High School.
Unknown	Perfume Science Kit (1 Box)	Stored in the William Penn High School.
\$400 approximate*	Physics-Pro Kit (5)	Stored in the William Penn High School.
Unknown	Plastic Forks and Spoons	Stored in the Roosevelt Building.
Unknown	Plates and Napkins	Stored in the Roosevelt Building.
Unknown	Pool Sticks	Stored in the Roosevelt Building.
Unknown	Potato Launcher (5)	Stored in the William Penn High School.
Unknown	Potato Sacks (1 Box)	Stored in the William Penn High School.
Unknown	Potting Medium (7 Bags)	Stored in the William Penn High School.
Unknown	Putting Green, small (1)	Stored in the William Penn High School.
Unknown	Putting Greens, Large (11 Boxes)	Stored in the William Penn High School.
Unknown	Racks, Jump Rope	Stored in the Roosevelt Building.
Unknown	Rocket Engines (1 Box)	Stored in the William Penn High School.
Unknown	Scoopballs	Stored in the Roosevelt Building.
Unknown	Scooter sets (6)	Stored in the William Penn High School.
Unknown	Secret Color Lab Kits (1 Box)	Stored in the William Penn High School.
Unknown	Shelving, Green (4 Boxes)	Stored in the William Penn High School.
Unknown	Spin Jumper Set, (1+ Box)	Stored in the William Penn High School.
Unknown	Sports Quick Nets (6+ Boxes)	Stored in the Roosevelt Building and William Penn High School.
Unknown	Starter Blocks (10 Boxes)	Stored in the William Penn High School.
Unknown	Starting Blocks (8 Boxes)	Stored in the William Penn High School.
Unknown	Steppers (16+)	Stored in the William Penn High School and the Roosevelt Building.

Unknown	Stop Watches (10 Boxes)	Stored in the William Penn High School.
Unknown	Sylvania CD/DVD	Stored in the Roosevelt Building.
Unknown	Teacher Demo Thermometer	Stored in the William Penn High School.
Unknown	Teambuilding Games and Sports Books (5)	Stored in the William Penn High School.
\$2,000 approximate*	Teamwork Trekkar (17 Boxes)	Stored in the William Penn High School.
Unknown	TooBeeze Team Building Kits (8 Boxes)	Stored in the William Penn High School.
Unknown	Toothbrushes	Stored in the Roosevelt Building.
Unknown	Training Ladder	Stored in the Roosevelt Building.
Unknown	Try-A-Rope (2 Boxes)	Stored in the William Penn High School.
Unknown	T-Shirts	Stored in the Roosevelt Building.
Unknown	Tubes with Colors and Crystals (1 Box)	Stored in the William Penn High School.
Unknown	Tug-O-War Ropes (14+ Boxes)	Stored in the Roosevelt Building and William Penn High School.
Unknown	View Sonic 26" LCD HD TVs	Stored in the Roosevelt Building.
Unknown	Walkie Talkies and Chargers	Stored in the Roosevelt Building.
Unknown	White Fan	Stored in the William Penn High School.
Unknown	White Netting (1 Roll)	Stored in the William Penn High School.
Unknown	Wizard Rockets (4-pack)	Stored in the William Penn High School.
Unknown	Young Science Kits (1 Box)	Stored in the William Penn High School.

\*Approximate cost based on Internet search conducted May 2011.



*Two storage rooms at the District filled with items  
purchased with Grant funds but never used,  
February 2011*



Source: York City School District, February 2011.



Source: York City School District, February 2011.

## **CONCLUSIONS AND RECOMMENDATIONS:**

The School District of the City of York has a fiduciary responsibility, as the recipient of taxpayer-funded federal grant money, to spend the funds in accordance with federal law and grant guidelines. The District should have properly planned how assets purchased with Grant Program funds would be used prior to purchasing them. If there was no genuine anticipated need, then the District should not have spent the money. Moreover, the District should have firmly refused to spend unneeded Grant Program funds at the end of the Grant periods, no matter how strenuously the PDE Program Officer may have pressured the District to do so.

In addition, the Pennsylvania Department of Education has a fiduciary responsibility to administer taxpayer-funded federal grant money in accordance with federal law and grant guidelines. Encouraging a school district to spend money for no other reason than to prevent those funds from reverting to the federal government is bad public policy. During the current era of cash-strapped state and federal budgets, no state agency should encourage needless and wasteful spending of grant funds that could be returned to the federal government to be redirected to other grant applicants, including those in Pennsylvania, or to be returned to the U.S. Treasury.

We recommend the following:

- Under the guidance and supervision of PDE, the unneeded items purchased by the District with taxpayer-funded Grant Program money should be redistributed to other school districts in this Commonwealth that are participating in the Grant Program and have a genuine need for the items.
- PDE must not encourage school districts to spend taxpayer-funded grant program money for no other reason than to avoid the funds reverting to the federal government.
- PDE should implement the practice of zero-based budgeting for taxpayer-funded grant programs in which the budget is based on the number of participants. Zero-based budgeting would curtail wasteful spending, because program budgets would be revised annually to take into account any changes in the level of student participation.
- The District should improve its administration of taxpayer-funded grant programs to ensure that the programs are operating efficiently and effectively for the benefit of students and taxpayers.
- The District must refrain from spending taxpayer-funded grant money unnecessarily, regardless of any external pressure to do so.

A copy of this report is being sent to the United States Department of Education and its Office of Inspector General with the recommendation that proceedings be instituted against both the District and PDE to recover the approximately \$834,000 of misspent taxpayer-funded Grant

Program money identified in this report. We recommend that PDE be included in these proceedings due to its failure to provide leadership to the District with regard to the appropriate use of public funds.

We also recommend that the United States Department of Education and its Office of Inspector General thoroughly review the Grant Program to determine the extent to which needless, wasteful, and abusive spending of taxpayer-funded Grant Program money may have occurred in other school districts throughout the Commonwealth and the nation.

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## **RESPONSE OF THE SCHOOL DISTRICT OF THE CITY OF YORK TO DRAFT REPORT**

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A letter from Samuel Beard, President of the Board of School Directors for the School District of the City of York, has been reproduced in its entirety on the following page.

# SCHOOL DISTRICT OF THE CITY OF YORK

## ADMINISTRATION BUILDING

31 NORTH PERSHING AVENUE • YORK, PENNSYLVANIA 17401

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June 21, 2011

Commonwealth of Pennsylvania  
Department of the Auditor General  
Office of Special Investigations  
Attn: Jeffrey H. Gribb, Director  
327 Finance Building  
Harrisburg, PA 17120-0018

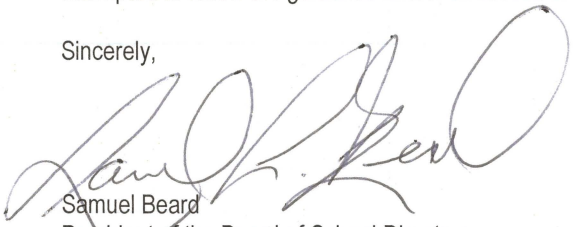
**RE: Special Investigation/Report  
School District of the City of York  
21<sup>st</sup> Century Community Learning Centers Grant Program ("Grant Program")**

Dear Mr. Gribbs:

This letter will serve as the School District of the City of York's ("School District") response to the Draft Report of the special investigation performed by your office regarding the above-referenced matter. The School District thanks you for the opportunity to respond to the report. In short, the School District wants your office to understand that it cooperated fully and completely with your investigation and does not dispute, in large part, the findings in the report. It is clear that the School District made significant purchases of supplies, materials, and equipment using grant funds which were not needed or unnecessary. As your report indicates, most or much of the unnecessary supplies, materials and equipment remain in storage at various locations/schools within the School District. Furthermore, most of it is usable or reusable and can be redistributed to other school districts in the Commonwealth of Pennsylvania still in the Grant Program to mitigate or eliminate the damages. The School District is willing to help or will cooperate with the redistribution of the supplies, materials and equipment to other participating school districts. Furthermore, the School District is in the process of taking steps to improve its administration of grant programs to ensure that the programs are operating efficiently and effectively for the benefit of its students and will also refrain from spending grant funds unnecessarily, regardless of how much pressure or "firm" insistence to do so is made or may be made by the Pennsylvania Department of Education ("PDE").

Please understand and consider the relationship between the School District and PDE in your final report or findings, especially as it relates to your finding that the School District acted (only) at the "firm insistence" of PDE. What you deem or find to be "firm insistence", the School District deemed to be a directive because PDE was charged with administering the Grant Program and also because PDE, which is also generally charged with maintaining and supporting the public education system in the Commonwealth, not only implements policies and regulations that the School District must follow but also distributes or allocates funds and grants to the school districts in the Commonwealth upon which the School District is highly dependent. The School District of the City of York is an urban school district with a high rate of poverty. For the 2009-10 school year, the School District received more than 61.5 million dollars in state funding. The amount of the state funding, annually, represents a large part of the School District's annual budget. Because of these circumstances, the School District has followed or attempted to follow the guidance and/or directives of PDE not only with respect to grants but also in all facets of its operation.

Sincerely,



Samuel Beard  
President of the Board of School Directors  
School District of the City of York

cc Dr. Eric B. Holmes, Acting Superintendent of Schools  
Mrs. Valerie Perry, Assistant Superintendent

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## **DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS ON THE SCHOOL DISTRICT OF THE CITY OF YORK'S RESPONSE TO DRAFT REPORT**

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We commend the School District of the City of York for its pledge to refrain from the wasteful spending practices that are described in this report and for its pledge to fully cooperate and help with the redistribution of the unneeded and never used supplies, materials, and equipment to other school districts in the Commonwealth that are participating in the 21<sup>st</sup> Century Community Learning Centers Grant Program and have an actual need for the items. However, whether this redistribution will mitigate or eliminate the District's obligation to pay back misused grant funds to the United States Department of Education is a matter for that agency to determine.

We also commend the District for its pledge to improve the administration of taxpayer-funded grant programs in general to ensure that the programs are operating efficiently and effectively for the benefit of the students of the District.

We can sympathize to some extent with the District's explanation of why, because of its dependency upon PDE for funding in this and many other programs, the District believed that it had no choice, as a practical matter, but to accede to PDE's insistence that the grant money be spent. Indeed, the District characterizes PDE's urgings as not merely suggestive but rather, in effect, as "directives" that the District could ignore only at its peril. Based on the evidence gathered during our investigation, we find the District's characterization to be credible and corroborative of our conclusion that PDE failed to provide leadership to the District with regard to the appropriate use of public funds and should be held jointly responsible for repayment of the misspent funds. Nevertheless, as stated in our conclusion, the District should have acted in the best interest of the taxpayers by refusing to spend unneeded funds, regardless of any pressure imposed by PDE. The United States Department of Education will have the ultimate task of determining and apportioning the assessment of damages between the District and PDE.

While we have commended the District for its assurances that the problems described in this report will be corrected, the Department of the Auditor General will follow up at the appropriate time to determine whether all of our recommendations have been implemented.

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## **RESPONSE OF THE PENNSYLVANIA DEPARTMENT OF EDUCATION TO DRAFT REPORT**

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A letter from Carolyn C. Dumaresq, Deputy Secretary of the Pennsylvania Department of Education, is reproduced beginning on the following page. As explained in our comments that follow PDE's response, we have redacted (marked with asterisks) as moot certain portions of PDE's response in light of revisions made for this final public report.





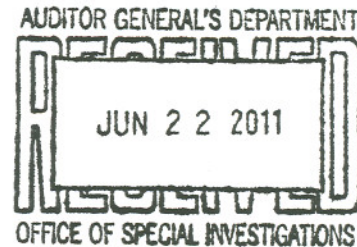
COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF EDUCATION  
333 MARKET STREET  
HARRISBURG, PA 17126-0333

DEPUTY SECRETARY FOR ELEMENTARY  
AND SECONDARY EDUCATION

717-787-2127  
FAX: 717-214-2786

June 22, 2011

Jeffrey Gribb  
Director, Office of Special Investigations  
Commonwealth of Pennsylvania  
Department of the Auditor General  
327 Finance Building  
Harrisburg, PA 17120-0018



Dear Mr. Gribb:

I write in response to the June 6, 2011, confidential draft report of the special investigation of the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) grant in the School District of the City of York (SDCY). The Pennsylvania Department of Education (PDE) appreciates the opportunity to review and respond to this report prior to publication of the final document.

The report of the 21<sup>st</sup> Century Community Learning Centers grant in the School District of the City of York clearly indicates that the grant was not properly administered by the school district, and that funds were expended on purchasing unnecessary materials and not putting them to use in accordance with the terms of the grant agreement and in the best interest of students. This was a matter of concern to PDE many months ago, and is partly the reason why the Department requested a review be conducted by a team of auditors from the Office of the Budget. PDE made this request in July 2010 and is currently awaiting their report.

In addition to requesting this review of the District, PDE conducted an internal assessment of past monitoring, training and fiscal grant procedures and has already taken steps to enhance the Department's oversight and administration of federal funds – a responsibility that PDE does and always has taken very seriously.

Prior to receiving the draft report from your office, a reorganization of the office responsible for the 21<sup>st</sup> CCLC grant took place and the following changes were made:

- The Division now reports to the Bureau of Teaching and Learning, with additional levels of fiscal oversight.



- Quarterly performance reports for the 21<sup>st</sup> CCLC grant sub-grantees are required to facilitate more timely guidance and corrective actions when misalignment with program goals, participation rates and budgets are identified.
- Monitoring of sub-grantees by individuals other than program officers who administered the grant now takes place.
- Onsite, supplemental monitoring of sub-grantees is now being performed by PDE's Division of Federal Programs. This is in addition to, and through a division other than, the above-referenced program-specific monitoring.

In addition to these changes, PDE will implement the following measures in the 21<sup>st</sup> CCLC grant program:

- Revision of 21<sup>st</sup> CCLC program guidelines to provide more focused program policies and procedures for the proper application and administration of grant programs. Additional guidelines, policies and procedures will provide grantees with a more narrow focus for the obligation and expenditure of program funds.
- Revision of the grant application process to refocus competitive priorities for grant awards.
- Training of 21<sup>st</sup> CCLC staff to reinforce the duties and responsibilities we have as recipients and administrators of federal grant funding. Training will include guidance on clarity of communication of grant guidelines and requirements to sub-grantees.

Additionally, PDE agrees that corrective actions must be taken by SDCY with regard to the \$834,000 spent on unnecessary and still unused materials. PDE staff will work in conjunction with the United States Department of Education to determine the best method for handling these materials and then work with the SDCY staff to inventory all unused materials, communicate the required corrective actions, and monitor those actions to ensure implementation.

PDE agrees fully with the Department of the Auditor General's condemnation of government officials and employees expending taxpayer funds improperly or wastefully. Unneeded funding that is provided for a specific government program should be returned to its source – whether to the federal, state, or local government – for the benefit of the public or return to the taxpayers. That is precisely how PDE responsibly administers public funds entrusted to it.

It is – and always has been – PDE policy that all funds (including federal funds) must be spent only for proper purposes and in a proper and prudent manner. PDE in no way condones excessive or improper spending so as to avoid returning unneeded money to its proper source and is committed to taking corrective action when improper spending is uncovered.

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The report indicates that SDCY program staff recounted instances when PDE program staff visited to discuss goals for spending funds prior to the grant ending date, and that emails stating the same were sent from PDE program staff. However, the report cites to no document demonstrating that PDE staff in any way encouraged the SDCY to spend money inappropriately or wastefully. Rather, the report shows only that PDE staff reminded SDCY program staff of the timelines imposed under the federal program. It was entirely proper for PDE to do so.

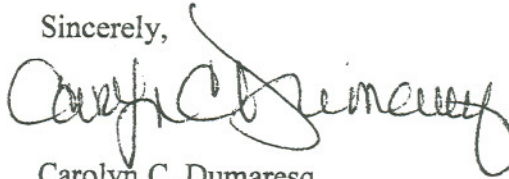
If the Auditor General or SDCY has written documentation, such as emails, other communication or notes, showing that PDE program officers – in direct violation of PDE policy – directed SDCY to spend funds on materials and supplies that were not aligned with program goals and not needed for program implementation so as to avoid refunding grant dollars, PDE would respectfully request copies of that material and an opportunity to review and respond.

Rest assured that PDE in no way would condone such an outrageous betrayal of the public trust and would have no tolerance for such behavior. However, PDE has uncovered in its records no suggestion that PDE employees engaged in the egregiously improper conduct described in the draft report.

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Thank you for the opportunity to review and respond to this draft report and I hope that you will favorably consider my requests for changes to the statements within it. If you have any questions, please feel free to contact Dr. Michele Sellitto, Assistant Director, Bureau of Teaching and Learning at 717 772 0030 or [msellitto@state.pa.us](mailto:msellitto@state.pa.us).

Sincerely,

A handwritten signature in black ink, appearing to read 'Carolyn C. Dumaresq', written over a horizontal line.

Carolyn C. Dumaresq  
Deputy Secretary

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## **DEPARTMENT OF THE AUDITOR GENERAL'S COMMENTS ON THE PENNSYLVANIA DEPARTMENT OF EDUCATION'S RESPONSE TO DRAFT REPORT**

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We commend the Pennsylvania Department of Education for the measures it has instituted to date to enhance its oversight and administration of taxpayer-funded federal grant programs in general, and especially its recent efforts to tighten the controls over the administration of the 21<sup>st</sup> Century Community Learning Centers Grant Program in particular. As is evident from this report, such reforms were clearly needed.

In its own defense, PDE contends that the conduct of PDE's Program Officer described in this report was in violation of official PDE policy. We do not dispute that may have been the case, but the point of the finding is that PDE failed to implement and enforce effective controls to prevent such misconduct from occurring. The fact that PDE has already begun to tighten up its controls, and that further reforms are planned, demonstrates a recognition that serious problems have existed and that serious measures are needed to prevent the circumventions of official department policy that are described in this report from occurring in the future.

PDE also attempts to shift all of the blame for the misspent funds to the School District of the City of York. In our separate comments on the District's response to the draft report, we noted the credibility of the District's contention that it was merely following what it reasonably perceived to be "directives" from PDE. The District's contention is supported by District employees who described the pressure from PDE officials to spend the grant money before Program deadlines expired and internal District correspondence that corroborates these witnesses. We also find that the District employees' account is supported by the very existence of entire rooms stacked to the ceiling with unneeded equipment and supplies. However, as previously stated, the District should have acted in the best interest of the taxpayers by refusing to spend unneeded funds, regardless of any pressure imposed by PDE. Therefore, we have concluded that both the District and PDE are responsible for the misuse of at least \$834,000 in public funds.

PDE's contention that the finding as applied to PDE is unfounded is based solely on what it perceives as the absence of certain written documentation showing that PDE staff instructed the District to spend funds in an inappropriate or wasteful manner. However, it should come as no surprise that PDE staff would be careful not to create or leave behind written proof of such misconduct. Furthermore, our report does cite to documents that support the finding, but the documents are District documents, not PDE documents.

We also note that PDE's decision to undertake extensive reforms to the program is no mere coincidence. The impetus for PDE's corrective actions was its discovery that the United States Department of Education's Office of Inspector General and the Department of the Auditor General's Office of Special Investigations were conducting an investigation of this matter. Again, we commend PDE for taking prompt action to clean up the program after the abusive

practices were brought to its attention, but we find PDE's suggestion that misconduct by its program staff did not occur to be disingenuous.

In summary, we believe that the report is accurate, truthful, and fair. Although we have modified some language from the draft report at the request of PDE,<sup>9</sup> this final public report is in all significant respects the same as the draft report sent to PDE and the District for their review and response.

While we have commended PDE for the measures it has already taken to correct the problems identified in this report, as well as its assurances of further reforms, the Department of the Auditor General will follow up at the appropriate time to determine whether all of our recommendations have been implemented. In the meantime, we request a copy of the forthcoming report from the Office of the Budget on this matter that was referenced in PDE's response.

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<sup>9</sup> Accordingly, we have removed as moot all references to those parts of the draft report from the copy of PDE's response reproduced in this final public report.

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United States Department of Education  
Office of Elementary and Secondary Education  
21<sup>st</sup>-Century Community Learning Centers

The Honorable Samuel Beard  
President, Board of School Directors  
School District of the City of York

The Honorable Beverly Atwater  
Vice President, Board of School Directors  
School District of the City of York

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The Honorable Jeanette Torres  
Board of School Directors  
School District of the City of York

Dr. Eric B. Holmes  
Acting Superintendent  
School District of the City of York

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