

EAST STROUDSBURG AREA SCHOOL DISTRICT
MONROE COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

APRIL 2011

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

Mr. Horace S. Cole, Board President
East Stroudsburg Area School District
50 Vine Street
P.O. Box 298
East Stroudsburg, Pennsylvania 18301

Dear Governor Corbett and Mr. Cole:

We conducted a performance audit of the East Stroudsburg Area School District (ESASD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 16, 2007 through September 4, 2009, 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 ESASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

April 12, 2011

cc: **EAST STROUDSBURG AREA SCHOOL DISTRICT** Board Members



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the East Stroudsburg Area School District (ESASD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the ESASD in response to our prior audit recommendations.

Our audit scope covered the period July 16, 2007 through September 4, 2009, 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 ESASD encompasses approximately 214 square miles. According to 2000 federal census data, it serves a resident population of 200,758. According to District officials, in school year 2007-08 the ESASD provided basic educational services to 8,143 pupils through the employment of 657 teachers, 453 full-time and part-time support personnel, and 36 administrators. Lastly, the ESASD received more than \$27.4 million in state funding in school year 2007-08.

Audit Conclusion and Results

Our audit found that the ESASD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings.

Finding No. 1: School District Did Not Follow Proper Bidding Procedures. Our audit of the ESASD records found that the board and administration did not adhere to the provisions stated in Sections 807.1(a) and 751(a) of the Public School Code pertaining to bidding requirements. Furthermore, ESASD did not adhere to their Board Policy #610 which requires that supplies in excess of \$15,200 be purchased only after advertisement for bids (see page 6).

Finding No. 2: Tuition Billing Internal Control Weaknesses. Our audit of the ESASD pupil membership reports submitted to the Department of Education and tuition records for the 2007-08 and 2006-07 school years found internal control weaknesses in tuition billing (see page 11).

Status of Prior Audit Findings and Observations. Our prior audit resulted in no findings or observations.



Audit Scope, Objectives, and Methodology

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 July 16, 2007 through September 4, 2009.

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 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 law, regulation, 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, regulations, and defined business practices. Our audit focused on assessing the ESASD's compliance with applicable state laws, regulations, 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:

- ✓ 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?
- ✓ 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?
- ✓ 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 buyout 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 take appropriate corrective action to address recommendations made in our prior audits?

Methodology

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, regulations, contracts, grant requirements and administrative procedures.

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

ESASD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, 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 bus driver qualifications.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Findings and Observations

Finding No. 1

School District Did Not Follow Proper Bidding Procedures

Public School Code sections and board policy relevant to the finding:

Section 807.1(a) provides, in part:

All furniture, equipment, textbooks, school supplies and other appliances for the use of public schools, costing ten thousand dollars (\$10,000) or more shall be purchased by the board of school directors only after due advertisement as hereinafter provided. Supplies costing ten thousand dollars (\$10,000) or more shall be purchased by the board of school directors only after public notice has been given by advertisement once a week for three (3) weeks in not less than two (2) newspapers of general circulation. . . .

Section 751(a) provides, in part:

All construction, reconstruction, repairs, maintenance or work of any nature, including the introduction of plumbing, heating and ventilating, or lighting systems, upon any school building or upon any school property, or upon any building or portion of a building leased under the provisions of section 703.1, made by any school district, where the entire cost, value, or amount of such construction, reconstruction, repairs, maintenance or work, including labor and material, shall exceed ten thousand dollars (\$10,000), shall be done under separate contracts to be entered into by such school district with the lowest responsible bidder, upon proper terms, after due public notice has been given asking for competitive bids. . . .

Our audit of the East Stroudsburg Area School District's (ESASD) records found that the board and administration did not adhere to the provisions stated in Sections 807.1(a) and 751(a) of the Public School Code (PSC) pertaining to bidding requirements. Furthermore, ESASD did not adhere to their Board Policy #610 which requires that supplies in excess of \$15,200 be purchased only after advertisement for bids.

The board requested and the Department of Education (DE) granted a mandate waiver to raise the \$10,000 threshold for bidding to \$15,200 in a letter dated May 30, 2007 for purchases made by ESASD. Also, DE granted a mandate waiver pertaining to bidding requirements for construction work in a letter dated November 6, 2007.

ESASD purchased, without solicitation of bids, 132 new school buses in a three year period for a total of \$8,794,225; purchased computers totaling \$509,497 paid for over four years; authorized roof repairs for one of the intermediate schools for \$261,250 and purchased an employee time keeping system with an upgrade for \$170,626.

School Buses

The District purchased 132 new school buses, without bidding and without a formal written contract, from the same vendor over a three-year period as follows:

<u>Date Purchased</u>	<u>No. of Buses</u>	<u>Amount</u>	<u>Buyback Amount</u>	<u>Date to Be Traded</u>
7/1/06	37	\$2,205,900	\$1,329,000	6/30/09
7/1/07	48	\$3,212,775	\$2,024,775	6/30/10
7/1/08	47	\$3,375,550	\$2,151,550	6/30/11
Total	132	<u>\$8,794,225</u>	<u>\$5,505,325</u>	

Section 5-508 of the Public School Code requires:

The affirmative vote of a majority of all the members of the board. . . shall be required in order to take action on the following subjects. . . . Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars(\$100). . . .

Board Policy #610 adopted August 19, 2002 and revised October 15, 2007, provides, in part:

It is the policy of the Board to obtain competitive bids and price quotations for products and services where such bids or quotations are required by law or may result in monetary savings to the school district.

Supplies

The Board shall, after due public notice advertising for competitive bids, purchase furniture, equipment, school supplies and appliances costing \$15,200 or more, unless exempt by statute. . . .

Contracts

The Board shall, after due public notice advertising for competitive bids, contract for construction, reconstruction, repairs, maintenance or work on any school building or property having a cost value of more than \$15, 200, unless exempt by statute. . . .

Each year the District replaces one third of its fleet with new buses from the bus company at a price determined by mutual agreement. The buyback amount goes toward the price for new buses. All buses are titled exclusively to the District. This process has continued without a formal written contract and board action.

Lease Purchase For Computers

At the June 23, 2008, board meeting, the board approved a motion to obtain computers by entering into two separate lease purchase agreements with the same company. One was for the amount of \$265,550 over four years for the East Stroudsburg Elementary School. The other was for the amount of \$243,947 over four years for the Bushkill Elementary School. A purchase order was issued on June 24, 2008 for both lease purchase agreements. Equipment purchased at the end of the leases is listed as \$1 on lease purchase documents. The director of instructional technology, when asked what method was used to determine the vendor and pricing, produced a copy of a resolution requesting permission to participate in the Chester County School Districts' Joint Purchasing Board computer bid. This document was entered into on September 15, 2008, two and one half months after the computers were ordered. A review of the purchase orders and documentation for these transactions contained no mention of the method used to avoid bidding procedures. The District failed to bid for the computers and attempted to join a purchasing consortium after the purchase was made.

Roof Repair

At the board meeting of April 21, 2008, the board approved a contract to repair the roof at the J.T. Lambert Intermediate School during the 2007-08 school year, totaling \$261,250 without soliciting bids. ESASD personnel had indicated this was a state contract. However, they could not provide any documentation to show that this was a state contract.

Employee Time Keeping System

ESASD made 24 monthly payments of \$5,934 commencing on June 1, 2006 and continuing through the 2006-07 and the 2007-08 school years to a company for a time keeping

system purchased through a lease purchase agreement with a \$1 buy out at the end of the payments totaling \$142,416, without soliciting bids. In February 2009, additional enhancements to the system were purchased for \$28,210 from the company.

Many purchasing options are available to school districts such as state contracts, joint purchasing, COSTARS and more. Supporting documentation provided for the purchases listed contained no indication of participation by the ESASD in such programs.

By failing to seek competitive bids, ESASD:

1. Probably did not enjoy the benefits of lower costs normally associated with bidding.
2. Excluded area businesses from the knowledge that these items were to be purchased, thereby depriving them of the opportunity to submit competitive bids.
3. Did not have the benefit and protection that a formal written contract provides, when purchasing buses.

Recommendations

The *East Stroudsburg Area School District* should:

1. Enter into a formal written contract to protect the interest of ESASD when purchasing new buses.
2. Develop bid specifications for school buses and other purchases, required to be advertised. All prospective vendors may then compete for the opportunity to provide new buses or other products and services, possibly offering substantial savings to ESASD and its taxpayers.
3. Ensure that administrators involved in purchasing decisions require purchasing project interaction with personnel who are knowledgeable of purchasing regulations and board policies.
4. Adhere to Sections 807.1(a) and 751(a) of the PSC and Board Policy #610 when making purchases in excess of \$15,200.

Management Response

Management stated the following:

Problem – The purchase order did not clearly reflect the state contract, Costars contract or consortium purchasing contract used to comply with the state law. The specific details are as follows:

- JTL Roof phase 1 – ESASD used the AEPA Contract # AEPA-005A-W500-PA through the purchasing consortium located within the Central Susquehanna Intermediate Unit. While ESASD staff members referenced a “state contract” as the purchasing methodology, in reality we were using a purchasing consortium to which we are a member. Contract documentation and membership documentation has been supplied with this response. No violation of law occurred in this transaction.
- Computers – this item is proprietary and cannot be competitively bid however ESASD used the Chester County School Directors’ Joint Purchasing Board contract to obtain volume pricing. However, the ESASD consortium membership had lapsed and the district was not a current member. The membership was renewed 2 ½ months after the date of the transaction. The volume pricing savings were nonetheless realized by ESASD and no violation of law occurred in this transaction.
- Timekeeping System – A committee of ESASD administrators viewed several timekeeping systems prior to the selection of the product. The product supplied by the company was deemed to be the only solution that could smoothly integrate with our payroll system, and thus was not subject to bid. No violation of law occurred in this transaction.
- School bus purchase/buy back – This transaction has historically been viewed as a lease transaction and has been in place for at least two decades. Current purchases were viewed as an add-on schedule to the existing lease document. Buses are purchased and resold to the bus vendor three years later at a flat annual rate. For the year 2006-07, the annual rate was \$7,900 and for the 2007-08, the rate was \$8,250. This annual

rate is deemed to be a financially attractive option since newer buses require only routine maintenance (no need for numerous mechanics and garages) and less buses are needed in the fleet (no need for “loaners” when buses are out of commission for repairs).

Corrective Action – All purchase orders are required to have the purchasing source (state contract #, Costars contract # or Consortium purchasing contract) reference clearly stated in the body of the document. In addition, consortium membership must remain current. The administrative team and business office have been advised/reminded to adhere to the state purchasing guidelines. All transactions must be presented to the board for approval.

Auditor Conclusion

We disagree with management’s assertion that it did not violate the law by failing to bid over \$9.7 million in purchases given that the PSC contains specific bidding requirements. Furthermore, when combined with its lack of compliance with the ESASD’s own bidding policies, these violations demonstrate management’s lack of effort to follow proper bidding procedure. Our Department strongly recommends that management reconsider its position, and comply with the recommendations in this finding.

Finding No. 2

Criteria

Districts with alternative institutions, such as licensed private academic schools, within their boundaries [billing districts] must identify the school district where each institution student lives [district of residence]. The billing district must then send a form to each identified district of residence requesting that the administration acknowledge or deny that the student belongs to that district. This form must be signed by the school district of residence's secretary. The district of residence must return this form fifteen (15) days after the billing district mails it out. If it fails to do so, then the billing district must send a second notice. If the district of residence fails to answer this second notice within 15 days, its lack of response shall be construed as an acknowledgement of the student's residence in that district.

Once the institution student's district of residence is established, the billing district will send that district a bill, which includes the name(s), age(s) and tuition charge(s) for the student(s). The district of residence may then appeal this bill to the Secretary of Education. On appeal, the district of residency shall be the complainant and the billing district shall be the respondent. The decision of the Secretary of Education, as to which school district is responsible for the institution student's tuition, shall be final.

Paraphrased from Section 13-1308 of the Public School Code

Tuition Billing Internal Control Weaknesses

Our audit of the ESASD's pupil membership reports submitted to DE and tuition records for the 2007-08 and 2006-07 school years found tuition billing internal control weaknesses as follows:

- Failure to monitor billing/collection of tuition;
- Failure to have a board approved contract;
- Failure to provide a breakdown of costs per day per student; and
- Failure to reconcile invoices.

These weaknesses resulted in our inability to audit tuition.

Failure to monitor billing/collection of tuition

Shawnee Academy, Limited (SA) is a licensed private academic school located within the boundaries of ESASD. SA educates students classified as special education or protected handicapped, which are placed at SA by the county children and youth program or a mental health agency. Because SA is within the boundaries of ESASD, the Public School Code requires the district bill the SA students' districts of residence for tuition and then remit the amount collected to SA.

We found that the ESASD failed to monitor the billing and collection of tuition from SA students' districts of residence and/or from DE, both of which were financially responsible for students at SA.

Failure to have board approve contract

We found no evidence that the contract that ESASD and SA entered into for the 2007-08 school year requiring ESASD to prepay SA tuition for students being placed at this institution prior to billing the districts of residence was approved by the board. The contract requires ESASD to follow a payment schedule which consists of the first payment on September 30 which includes a reconciliation of the prior school year and estimated membership for the first quarter of the current school year. Three more payments are made on December 31, March 31 and June 30, based on estimated enrollment. The contract was

Criteria

Section 5-508 of the Public School Code requires:

The affirmative vote of a majority of all the members of the board . . . shall be required in order to take action on the following subjects. . . . Entering into contracts of any kind, including contracts for the purchase of fuel or any supplies, where the amount involved exceeds one hundred dollars (\$100). . . .

According to DE, a student is classified as “protected handicapped” if she or he meets the following conditions:

(i) Is of an age at which public education is offered in their school district.

(ii) Has a physical or mental disability which substantially limits or prohibits participation in or access to an aspect of the students school program.

signed by the President of SA on March 3, 2008 and was not signed by the ESASD board secretary until September 12, 2008. There was no contract in existence prior to the 2007-08 school year. However, the ESASD board approved on June 25, 2007, the special education rate used in the tuition reimbursement calculation for the 2007-08 school year. The board did not approve the special education rate for the 2006-07 school year.

We found that the 2007-08 school year contract was used for the 2008-09 school year although the 2007-08 contract does not state this would be in effect for the 2008-09 school year. However, we found special education rates were approved by the board through the minutes dated September 15, 2008. SA provided our Department with a contract for the 2009-10 school year which has not been signed or approved. We did not find approval in the minutes of board meetings for the special education rates for the 2009-10 school year. This new contract eliminates prepayments being made by ESASD to SA.

Failure to provide breakdown of costs per day per student

The Director of Administrative Systems (DAS) who is responsible for the child accounting function at ESASD generates the invoices for the districts of residence that will be paid to SA. The invoices are based on documentation received from SA, such as days of attendance and student classification. The daily rate is calculated by SA based on their costs for educating these students. The DAS forwards these invoices to the business office for prepayment to SA, less a three percent administrative fee. The business office prepays SA and sends the invoices to the districts of residence and DE for reimbursement.

During the course of the audit the auditor asked the DAS several times for the breakdown of SA’s special education tuition rate which is then charged by ESASD to districts of residence that have students attending SA. Also, the investigator from our Office of Special Investigations (OSI) while doing an investigation of SA asked the administration for the cost breakdown of how they arrive at the special education tuition rate we requested at ESASD. In both cases the information was not provided to us. SA should be able to provide ESASD with this breakdown so they can pass it on to the districts of residence for those students.

The Public School Code states what factors should be used to arrive at the tuition rate and all districts of residence have to abide by it, therefore SA should provide ESASD with this breakdown because the districts of residence have the right to know and are responsible for payment of the students attending SA.

We found two districts of residence, Lehigh Area and Philadelphia City School Districts who disputed the daily rate and requested a breakdown of the costs per day per student. Lehigh Area School District has not paid the additional tuition due to the lack of breakdown of costs. However, Lehigh Area School District did pay ESASD based on ESASD's special education rate. The Philadelphia City School District disputed the daily rate charged for special education services for students who do not have Individual Educational Programs (IEP). Philadelphia City School District paid the regular tuition rate. We also found documentation with districts of residence being charged special education rates for students without IEPs and the districts of residence paid the tuition without disputing the bill. ESASD did not provide documentation to reflect that adjustments were made to these same prepaid bills to SA.

Failure to reconcile invoices

The ESASD's business office did not have a system in place to reconcile the invoices paid to SA with the tuition received from the districts of residence and/or from DE. Furthermore, ESASD did not have a system in place to identify whether the students' tuition at SA was being paid by their districts of residence or by DE because they were wards of the state. ESASD also did not obtain any documentation from the districts' of residence acknowledgement or disclaimer forms.

We were unable to reconcile the tuition payments because ESASD did not have a system in place to track prepayments to SA, and invoices for estimated days of enrollment billed to the districts of residence and to DE. In addition, the lack of receipts for these invoices contributed to our inability to reconcile these tuition payments.

Moreover, ESASD did not send invoices to the districts of residence in a timely manner. The invoices were based on tuition costs for the prior school year and ESASD did not perform a reconciliation using the current school year tuition rates at the end of the year. Therefore, ESASD may have overpaid tuition to SA and a possible loss of uncollected revenue by the ESASD may have occurred.

Recommendations

The *East Stroudsburg Area School District* should:

1. Determine whether they are owed any money by SA, and if so, take whatever steps are necessary to collect it.
2. Implement control procedures between the child accounting and business office functions that would provide assurance that tuition paid to SA is properly billed and collected.
3. Verify that invoices received from SA for payments are properly billed reflecting actual membership and correct classification of regular or special education.
4. Develop a system for retaining all documentation from districts of residence paid tuition and file it by districts of residence and then by student for reconciliation purposes.
5. Review records for years subsequent to the 2007-08 and 2006-07 school years, and if necessary, bill the sending districts of residence for uncollected tuition.
6. Obtain acknowledgement or disclaimer forms signed by the district of residence's board secretary declaring residence of the child.
7. Require that SA issue invoices for actual membership days.
8. If SA invoices to districts of residence are based on prior year's tuition rates, then reconciliation should occur when DE issues actual rates at the end of the year.
9. Administration should review and compile the contract for each school year, and then acquire board approval.

10. Promptly send invoices to districts of residence and DE to ensure reconciliation of student records for payments made to SA.
11. Obtain from SA a breakdown of costs per day per student.

Management Response

Management stated the following:

Problem – The billings & collections to outside school districts for services received by students residing at Shawnee Academy were not fully reconciled to payments paid to Shawnee for those services.

Corrective Action – Payments to Shawnee Academy are made in 60 days and only after full and complete documentation is received. Sending districts are billed monthly and prior to any payment being made to Shawnee Academy. Four district personnel are needed to complete this transaction and those staff members have improved the work flow and communication by defining job functions and responsibilities. Although the current contract complies with law, the contract in place with Shawnee Academy – Residential Program will be renegotiated based on the recommendations of the State Auditors to ensure a full and accurate accounting for the ESASD and sending districts. Additional steps will be taken to ensure that invoices and payments can be reconciled on a per student basis. All changes to existing contracts will be submitted in whole to the Board for approval.

Problem – “Failure to receive from Shawnee Academy a breakdown per day / student for services before payment to Shawnee.”

The District’s position is that §§ 1306-1309 of the PA School Code, the relevant statutes to this transaction, do not require that an institution such as Shawnee Academy provide a cost breakdown per day and per student for services. The contract, as-is, follows statutory requirements. Although neither the current superintendent nor business manager were in her current position at the time this contract, in its current form, was negotiated, the Administration believes the contract was negotiated in good faith for the benefit of both parties by the previous Administration. However, the District will require that

Shawnee Academy provide an acceptable form of breakdown of charges in the upcoming 2011-2012 contract so as to follow what may be considered “best practices.”

Problem – “Failure to have board approve contract with Shawnee Academy”

On June 25, 2007, the Board of Directors did approve the rates set forth in the Shawnee Academy contract in question. Prior to that, the Board had approved a contract with Shawnee Academy for the exact services set forth in the contract in question. However, beginning in the 2007-2008 contract and continuing in future contracts, there was a change in the payment schedule that was not submitted to the Board for approval. Given that at the time neither the current superintendent nor business manager was in her current position, the District cannot say why the modified contract was not submitted, other than the changes in rates. Certainly, prospectively, all changes to existing contracts will be submitted in whole to the Board for approval.

Auditor Conclusion

It is the auditor’s conclusion that this finding should stand as presented based on the documentation provided during audit prior to our fieldwork completion date. The finding is based on the procedures followed by ESASD in the 2007-08 and 2006-07 school years.

Status of Prior Audit Findings and Observations

Our prior audit of the East Stroudsburg Area School District resulted in no findings or observations.



Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Tom Corbett
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.

