

LANCASTER COUNTY ACADEMY  
LANCASTER COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2009



The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mrs. Donna Wert, Joint School Committee Chairperson  
Lancaster County Academy  
1202 Park City Center  
Lancaster, Pennsylvania 17601

Dear Governor Rendell and Mrs. Wert:

We conducted a performance audit of the Lancaster County Academy (LCA) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period January 6, 2006 through April 22, 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, 2007, 2006 and 2005, as they were the most recent reimbursements subject to audit. 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 LCA complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the LCA's cooperation during the conduct of the audit.

Sincerely,

/s/

JACK WAGNER  
Auditor General

October 8, 2009

cc: **LANCASTER COUNTY ACADEMY** Joint School Committee Members



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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period January 6, 2006 through April 22, 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 2004-05, 2005-06, 2006-07 and 2007-08.

### **Academy Background**

The Lancaster County Academy is located in Lancaster County and has its administrative offices at the Park City Mall, 1202 Park City Center, Lancaster, Pennsylvania. According to Academy officials, in school year 2007-08 the LCA provided basic educational services to 158 pupils through the employment of 3 teachers, 2 full-time and part-time support personnel, and 1 administrator. Lastly, the LCA received more than \$8 thousand in state funding in school year 2007-08.

Further information provided by Academy officials indicates the Academy was established in November, 1993 to meet the

needs of students who have dropped out of school or are unable to effectively function in the traditional setting. Initially, the Academy operated as an experimental school but received alternative education program approval with mandate waiver in August 2003. The mandate waiver exempted the Academy from the provisions of the public school code that require approved alternative education programs to accept only students that meet the definition of disruptive youths and to evaluate those students periodically for return to their sending districts.

In August, 2007 the Academy's mandate waiver expired and in August, 2008 the alternative education program approval also expired. In July, 2008 the Academy applied for renewal of the mandate waiver that had been in place but did not seek to renew the alternative education program approval as instructed by the Department of Education (DE). During November, 2008 representatives from DE visited the Academy in the attempt to gather more information relating to the mandate waiver application. In a letter dated February 12, 2009, DE asked the Academy to rescind its mandate waiver application and provided the following four options for Academy officials to consider:

- Submit a revised mandate waiver application with regard to LCA. That application must stipulate that no diplomas will be awarded to students not meeting graduation requirements set forth in Chapter 4 of the State Board of Education Regulations. The revised

application must also stipulate that LCA's program is aligned with the high standards of Chapter 4 and that sending districts will issue diplomas once these requirements are satisfied.

- Establish a licensed private academic school.
- Apply to be a Pennsylvania charter or cyber charter school.
- Establish a career and technical center.

As of April 22, 2009 no decision had been reached as to how the Academy will operate in the future.

### **Audit Conclusion and Results**

Our audit found that the LCA complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

### **Status of Prior Audit Findings and Observations.**

With regard to the status of any prior audit recommendations to the LCA from an audit we conducted of the 2003-04, 2002-03, 2001-02 and 2000-01 school years, we found the LCA had no prior audit findings or observations (see page 6).



## Audit Scope, Objectives, and Methodology

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### 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 January 6, 2006 through April 22, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08, 2006-07, 2005-06 and 2004-05.

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 DE 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

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 LCA'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:

- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the Academy?
- ✓ Did the Academy 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?

## 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, observations 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.

LCA management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Academy 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.

Our audit examined the following:

- Records pertaining to state ethics compliance and financial stability; and
- Joint School Committee minutes.

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

## **Findings and Observations**

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**F**or the audited period, our audit of the Lancaster County Academy resulted in no findings or observations.

## **Status of Prior Audit Findings and Observations**

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**O**ur prior audit of the Lancaster County Academy for the school years 2003-04, 2002-03, 2001-02 and 2000-01 resulted in no findings or observations.

## **Distribution List**

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This report was initially distributed to the superintendent of record for the academy, the joint school committee members, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.  
Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Senator Jeffrey Piccola  
Chair  
Senate Education Committee  
173 Main Capitol Building  
Harrisburg, PA 17120

Senator Andrew Dinniman  
Democratic Chair  
Senate Education Committee  
183 Main Capitol Building  
Harrisburg, PA 17120

Representative James Roebuck  
Chair  
House Education Committee  
208 Irvis Office Building  
Harrisburg, PA 17120

Representative Paul Clymer  
Republican Chair  
House Education Committee  
216 Ryan Office Building  
Harrisburg, PA 17120

Ms. Barbara Nelson  
Acting Director, Bureau of Budget and  
Fiscal Management  
Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055



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