

PERFORMANCE AUDIT

Central Bucks School District Bucks County, Pennsylvania

July 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. David Weitzel, Superintendent
Central Bucks School District
20 Weldon Drive
Doylestown, Pennsylvania 18901

Mr. Stephen A. Corr, Board President
Central Bucks School District
20 Weldon Drive
Doylestown, Pennsylvania 18901

Dear Dr. Weitzel and Mr. Corr:

We conducted a performance audit of the Central Bucks School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period April 1, 2011 through May 8, 2015, except as otherwise stated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 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 District complied, in all material respects, with relevant requirements. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

July 15, 2015

cc: **CENTRAL BUCKS SCHOOL DISTRICT** Board of School Directors

Table of Contents

	Page
Executive Summary	1
Audit Scope, Objectives, and Methodology	2
Findings and Observations	7
Observation – The District Will Pay an Estimated \$390,728 as a Result of the Superintendent’s Early Termination	7
Status of Prior Audit Findings and Observations	12
Distribution List	13

Executive Summary

Audit Work

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

Our audit scope covered the period April 1, 2011 through May 8, 2015, except as otherwise stated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2010-11 and 2011-12 school years.

District Background

The District encompasses approximately 122 square miles. According to 2010 federal census data, it serves a resident population of 100,977. According to District officials, the District provided basic educational services to 19,585 pupils through the employment of 1,230 teachers, 800 full-time and part-time support personnel, and 21 administrators during the 2011-12 school year. The District received \$48,040,494 in state funding in the 2011-12 school year.

Audit Conclusion and Results

Our audit found that the District complied, in all material respects, with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. We did identify one matter unrelated to compliance that is reported as an observation.

Observation: The District Will Pay an Estimated \$390,728 as a Result of the Superintendent's Early Termination.

On July 24, 2012, the District's Board of School Directors (Board) entered into an employment contract (Contract) with an individual to serve as the District's Superintendent. On July 3, 2013, after the former Superintendent had served only ten months of the Contract, the Board approved a Separation Agreement and General Release (Agreement) with the former Superintendent, which terminated his employment with the District effective on July 31, 2013. As a result of prematurely ending the Contract, the Agreement required the District to make payments to the former Superintendent totaling \$390,728 (see page 7).

Status of Prior Audit Findings and Observations.

With regard to the status of our prior audit recommendations to the District from an audit released on July 5, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the lack of a Memorandum of Understanding (MOU) (see page 12).

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 April 1, 2011 through May 8, 2015.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the District's compliance with certain relevant 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:

- ü Were professional employees certified for the positions they held?
 - o To address this objective, the auditors reviewed and evaluated certification documentation for all 116 teachers and administrators that did not have permanent certificates, were newly hired, or changed assignment at the time of our audit.

Ü In areas where the District received state subsidies and reimbursements based on non-resident pupil membership, did it follow applicable laws [24 P.S. § 13-1301, 13-1302, 13-1305, and 13-1306] and procedures [22 PA Code Chapter 11]?

- To address this objective, the auditors reviewed placement information for all 6,795 of the District's non-resident membership days.

Ü Did the District ensure that bus drivers transporting District children at the time of the audit have the necessary license, physicals, training, background checks, and clearances as outlined in 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 PA Code Chapter 8, and 23 PA C.S. § 58-6354, and did they have written policies and procedures governing the hiring of new bus drivers?

To address this objective:

- The auditors selected 5 of the 58 drivers hired since the last time the Pennsylvania Department of the Auditor General audited the District and determined whether the drivers had the necessary license, physicals, training, background checks, and clearances.
- The auditors also requested copies of the written policies and procedures governing the hiring of bus drivers to determine that these processes included requesting background checks and clearances.

Ü Did the District pursue a contract buy-out with an administrator and, if it did, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?

- To address this objective, the auditors reviewed the contract(s), settlement agreement(s), board meeting minutes, board policies, and payroll records for any administrator whose District contract was bought-out.

- Ü Did the District ensure that the membership data it reported to PDE through the Pennsylvania Information Management System (PIMS) was complete, accurate, valid, and reliable for the most current year available?
 - To address this objective, the auditors randomly selected 15 out of 19,585 total registered students (5 resident, 5 non-resident, and 5 area vocational-technical school students) from the vendor software listing and verified that each child was appropriately reported to PDE through PIMS by the District.

- Ü Were there any declining fund balances that may pose a risk to the District's fiscal viability?
 - To address this objective, the auditors reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2010-11 through 2012-13.

- Ü Did the District take appropriate steps to ensure school safety?
 - To address this objective, the auditors reviewed a variety of documentation including safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the District followed best practices in school safety and 24 P.S. Sect. 13-1302, 1302.1A, 13-1303.1, and 13-1303 A. Generally, the auditors evaluate the age of the plan, whether it is being practiced through training and whether the school has an after action process for trying to improve on the results of its training exercises.

- Ü Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?
 - The auditors reviewed the contract with a local food company, which provides breakfast and lunch to students and staff and found that the profit from the food sales was properly used for

supplies, maintenance of equipment, and janitorial supplies.

- The auditors reviewed selected board policies and board meeting minutes to determine that the District is in compliance with various issues including purchasing, budget preparation and adoption, surplus operating funds, ethics law, meetings, and governance.

Ü Did the District take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- The auditors interviewed District administrators to determine whether they had taken corrective action.
- The auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations, and/or observed these changes in person.
- The auditors reviewed the MOU for all law enforcement agencies and found the District was in compliance with our recommendations.

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 certain relevant state 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 results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the District's compliance with relevant requirements that we consider to be material within the context of our audit

objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be material within the context of our audit objectives 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 and reimbursements, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, pupil membership, bus driver qualifications, professional employee certification, financial stability, and reimbursement applications.
- Items such as board meeting minutes and policies and procedures.

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

To determine the status of our audit recommendations made in a prior audit report released on July 5, 2011, we performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Observation

Criteria relevant to the observation:

Section 1073 of the Public School Code (PSC), 24 P.S. § 10-1073(a), requires school districts to enter into three-to-five year employment contracts with their superintendents.

24 P.S. § 10-1073(e) further provides, in part:

“(2) A contract for the employment of a district superintendent or assistant district superintendent shall do all of the following: . . .

(ii) Consistent with State Board of Education certification requirements, specify the duties, responsibilities, job description and performance expectations, including performance standards and assessments provided for under Section 1073.1. . . .

(v) Specify the termination, buyout and severance provisions, including all postemployment compensation and the period of time in which the compensation shall be provided. Termination, buyout and severance provisions may not be modified during the course of the contract or in the event a contract is terminated prematurely. . . .”

The District Will Pay an Estimated \$390,728 as a Result of the Superintendent’s Early Termination

On July 24, 2012, the District’s Board entered into a Contract with an individual to serve as the District’s Superintendent. The Contract, which was for the three year and ten month period of October 1, 2012 through July 30, 2016, provided for an annual base salary compensation of \$225,000 for the 2012-13 school year and each year thereafter, as well as a variety of benefits. The Contract further provided that the Board could adjust the individual’s salary in future contract years based on the Board’s specific performance objectives.

On July 3, 2013, after the individual had served only ten months of the Contract, the Board approved an Agreement with the former Superintendent, which terminated his employment with the District effective July 31, 2013. As a result of prematurely ending the Contract, the Agreement required the District to make payments to the former Superintendent totaling \$390,728.

Contract Provisions: The Contract included the following provisions regarding the early termination of the former Superintendent’s employment with the District:

- The District expressly stipulates that the superintendent, throughout his term of office, would be subject to termination of contract for valid and just cause, and in accordance with the provisions of Section 1080 of the PSC.
- The District may terminate the Superintendent’s employment without cause by providing at least one years’ prior notice or by the payment to the Superintendent of one year’s annual salary and at the expiration of the one year period or the payment of the one year’s salary, the Superintendent’s employment with the District shall end.

Criteria relevant to the observation (continued):

(3) No agreement between the board of directors and a district superintendent or assistant district superintendent for a negotiated severance of employment prior to the end of the specified contract term shall provide for severance compensation to the district superintendent or assistant district superintendent, including the reasonable value of any noncash severance benefits or postemployment benefits not otherwise accruing under the contract or pursuant to law, that:

(i) If the agreement takes effect two (2) years or more prior to the end of the specified contract term, exceeds the equivalent of one (1) year's compensation and benefits otherwise due under the contract."

Section 1080(a) of the PSC, 24-P.S. § 10-1080(a), provides that "[d]istrict superintendents and assistant district superintendents may be removed from office and have their contracts terminated, after hearing, by a majority vote of the board of school directors of the district, for neglect of duty, incompetency, intemperance, or immorality. . . ."

For termination of this Agreement without cause by the District prior to the expiration of its term, the Superintendent and his spouse shall receive the medical healthcare insurance benefit for major medical, hospitalization, prescription drug, and dental coverage until July 31, 2014, as indicated in the current contract with the District's group insurance programs, with the District paying 100 percent of the premium costs less employee contributions, co-pays, deductibles, and conditions. In addition; the Superintendent shall also receive a life insurance benefit until July 31, 2014.

The Agreement stated that the former Superintendent knowingly and voluntarily releases and forever discharges the District of any claims. The parties also agreed not to make any statements, written or verbal, that defame, disparage, or in any way criticize the other party.

Agreement Pay Out: The termination triggered the provisions in the Contract described above, which will cause the District to pay the former Superintendent an estimated \$390,728. This amount was composed of the following items:

Salary and benefits less all applicable deductions were paid by the District in two payments of \$182,500 each, totaling \$365,000, based on a calculation of \$1,000 per day for 365 days.

Actual costs for major medical, hospitalization, surgical, prescription drug, and dental coverage for one year or until July 31, 2014, totaled \$13,861.

Actual costs for life insurance coverage for one year ending July 31, 2014, totaled \$567.

Actual cost for a 403(b) retirement contribution of \$10,000 that was paid by the District in May 2013 on behalf of the former Superintendent; prorated for ten months.

Additionally, the District permitted the former Superintendent to retain his cellphone, iPad, and printer valued at \$1,300.

Search for Superintendent: In the search that led to the hiring of the former Superintendent, the Board hired an outside firm at a cost of \$23,900. The outside firm advertised for the superintendent's position and interviewed potential candidates, which took more than two months to complete. Even though the Board went through a timely and costly process to hire the former Superintendent, the efforts resulted in the Board terminating his employment ten months later.

The Decision to Remove the Superintendent: Top administrators noted that by the end of December 2012, which was only three months into the former Superintendent's Contract, the Board and the former Superintendent seemed to be "drifting apart."

Minutes for the July 3, 2013 board meeting noted that a special meeting was held by the District. The minutes provided a summary of how the Board came to a mutual settlement agreement with the former Superintendent. It was also noted that the Board held 20 formal interviews with administrators and 20 informal interviews with staff members and parents to discuss what issues the individuals had in dealing with the former Superintendent. The Board discussed issues related to the former Superintendent's performance, duties, vision, and other various issues related to the former Superintendent's direction of the District. The Board President noted that no one single event caused the Board to review the former Superintendent's job performance; rather, there were a series of similar and problematic events that led the Board to a mutual separation agreement. As stated in the Agreement, the parties agreed not to make any statements, written or verbal, that defames, disparages, or in any way criticizes the other party. Therefore, the specific events referred to by the Board President could not be obtained.

Lack of a Corrective Action Plan: Through board meeting minutes and an interview with the current Superintendent, we learned that the Board did not offer or discuss a corrective action plan to resolve the differences between the Board and the former Superintendent. The Board President noted that the former Superintendent was not advancing the educational mission of the District and the Board needed to find a new Superintendent, and that "it just wasn't working." A corrective action plan might have

saved the relationship with the former Superintendent and the money spent on the buy-out could have been spent on educating the students.

Foresight in Negotiating Termination Provisions: The Board had foresight in negotiating a termination provision in the Contract to address the ending of the former Superintendent's employment without cause. However, the District agreed to pay \$365,000 for salary and benefits, plus actual medical benefits, life insurance benefits, a 403(b) retirement contribution, as well as the costs of a cell phone, iPad, and printer, totaling an estimated \$390,728 through July 31, 2014. Such generous terms not only superseded the Contract but also were not in the best interests of the District's taxpayers. Specifically, the District was forced to spend this considerable sum of money on the settlement of the Agreement's terms, rather than on the education of its students.

Recommendations

The Central Bucks School District should:

1. Ensure that future employment contracts with prospective administrators contain adequate termination provisions sufficient to protect the interests of the District and its taxpayers in the event that the employment ends prematurely for any reason.
2. Re-evaluate the effectiveness of hiring an outside firm during the superintendent search process before spending money on such services in the future.
3. Provide as much information as possible to the taxpayers of the District explaining the reasons for entering into separation agreements and justifying the District's expenditure of public funds for this purpose.
4. Require the Board to include in its Superintendent employment contracts provisions that address the need to comply with Section 1073 of the PSC when entering into separation agreements.

Management Response

Management stated the following:

“The Central Bucks School District Board of School Directors terminated the employment contract of the former Superintendent. Members of the Board conducted many in-depth interviews with administration, faculty, and parents to review academic and management performance towards stated goals. The interviews were conducted about four months into the former Superintendent’s tenure. The decision to terminate the former Superintendent’s employment agreement was made in late June 2013.

The Separation Agreement includes comprehensive release language related to potential claims associated with the various Civil Rights Acts, the ADA [Americans with Disability Act], the age Discrimination in Employment Act., etc. protecting tax payers from potential future claims.”

Auditor Conclusion

While acknowledging the Agreement protects taxpayers from potential future claims by the former Superintendent, we continue to believe that the former Superintendent’s contract was not adequately written to protect taxpayers from these costs.

Status of Prior Audit Findings and Observations

Our prior audit of the District, released on July 5, 2011, resulted in a finding. The finding pertained to the lack of a MOU. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding. As shown below, we found that the District did implement our recommendations related to the lack of an MOU.

Auditor General Performance Audit Report Released on July 5, 2011

Finding:

Lack of Memorandum of Understanding

Finding Summary:

Our prior audit of the District's records found that the District did not have a signed MOU with one of the eight local law enforcement agencies that serve the District.

The failure to obtain and update a signed MOU with all local law enforcement agencies could result in a lack of cooperation, direction, and guidance between District employees and law enforcement agencies if an incident occurs on school property, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. This internal control weakness could have an impact on law enforcement notification and response and ultimately the resolution of a problem situation.

Recommendations:

Our audit finding recommended that the District should:

1. In consultation with the District's solicitor, develop and implement a MOU between the District and all appropriate law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute all MOUs every two years.

Current Status:

During our current audit, we found that the District did implement our prior recommendations. The District provided a correctly executed MOU that was received from the local law enforcement agency involved and dated December 2012.

Distribution List

This report was initially distributed to the Board of School Directors and the following stakeholders:

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This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.