



Hanover Area School District
1600 Sans Souci Parkway
Hanover Township, Pennsylvania 18706-6091

Mr. Nathan Barrett, Superintendent

Phone (570) 408-1163

Fax (570) 831-2322

nbarrett@hanoverarea.net

Mr. Robert Kachurak, CPA, Business Administrator

Phone (570) 831-2314

Fax (570) 822-6776

rkachurak@hanoverarea.net

November 27, 2019

Bureau of Budget and Fiscal Management

Department of Education

333 Market Street-4th Floor

Harrisburg, Pennsylvania 17126-0333

Attn: Clayton P. Carrol, II Audit Coordinator

Dear Mr. Clayton,

I am sending correspondence to you requesting that Hanover Area School District's Management Replies to all Performance Audit Findings from the Performance Audit prepared by the Pennsylvania Auditor General for the period July 1, 2013 through June 30, 2017 be considered as our Corrective Action Plan. We are in the process of taking major steps to correct all findings and the District is constantly monitoring the steps that we have taken so far and are adjusting accordingly on an ongoing basis to implement the best processes and procedures to achieve the correction of the Performance Audit Findings.

Thank you for your attention in this matter. Should you have any questions or concerns please don't hesitate to contact myself at nbarrett@hanoverarea.net or our Business Administrator Robert Kachurak, CPA at rkachurak@hanoverarea.net.

Sincerely

Nathan Barrett

Superintendent

Hanover Jr./Sr. HS
High School
570-831-2300

Memorial
Elementary
570-822-5102

Hanover Green
Elementary
570-824-3941

Lee Park
Elementary
570-824-4741

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School DistrictDate: 6/5/2019Audit Period: July 1, 2013 Through June 30, 2017Date Due: Noon - 6/7/2019Comment: Finding X Observation Verbal Title: A Board Member Failed to Abstain from Voting to Approve Payments to a Closely
Related Vendor X Management agrees with the Finding Management disagrees with the Finding Management waives the opportunity to reply at this time

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

1.) The District will reinforce the policies as set forth by the "Pennsylvania Public Office and Employees Ethics Act" and make all board members aware of what the law says and how it relates to the District's Board of Education and the decisions and disclosures that must be made on possible conflicting matters.

2.) The District will reinforce the policies as set forth by the "Pennsylvania Public Office and Employees Ethics Act" and make all board members aware of what the law says and how it relates to the District's Board of Education and the decisions of abstaining from voting to approve payments to all immediate family members and to state the reason for abstention so that it can be documented in the public board meeting minutes.


3.) The District will work with its solicitors to attempt to resolve from entering into agreements with vendors that are immediate family members as defined by the Pennsylvania Public Office and Employees Ethics Act whenever possible.

4.) The District will work with its solicitors to adopt a well -defined anti-nepotism policy that would pertain to both the District board members and the administrators of the District.

Additional pages attached: Yes x No

Signatures and Date:



Superintendent, Ex. Director, Director

Business Manager

Additional page

MANAGEMENT REPLY

- 5) The District Board member at issue in this finding is also the District representative to the Luzerne County Intermediate Unit ("LIU"). The LIU also utilizes the vendor at issue in this finding. The District School Board member consulted with the LIU solicitor regarding the District Board member's ability to vote on LIU payments to the vendor at issue. The LIU solicitor confirmed he provided advice that it is legal for the District Board member to vote on contracts with the vendor and related bills. A copy of the LIU solicitor's confirmatory email is attached hereto.

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School District

Date: March 12, 2019

Audit Period: July 1, 2013 Through June 30, 2017

Date Due: March 21, 2019

Comment: Finding X Observation Verbal

Title: Four Consecutive Operating Deficits Reduced the District's General Fund Balance to Negative \$5.7 Million as of June 30, 2017

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

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

In February 2017, newly appointed Board Member Dr. Vic Kopko promptly discovered expenditures exceeding revenues. He immediately discussed the matter with the entire Board. The Board promptly, in 2017, separated itself from then Superintendent, then Business Manager and then Solicitor. Prior to the then administration's separations, the "old" administration, in response to inquiries by Dr. Kopko and the "new" Solicitor, responded upon inquiry that the District's fund balance was zero (no mention of a negative multi-million dollar fund balance was made) and that the then current tax anticipation note ("TAN") was paid in full (no mention was made of an approximate 2.5 million dollar balance remaining on the 2016-2017 TAN). As stated, this Board's oversight resulted in the separation from the District of the administration in place during the fund balance down-turn.

It should also be noted that part of the fund balance depreciation as reflected in the audit is due to special educational instructional expenditures. However, such expenditures are out of the District's control.

1.) In December of 2017 the district hired a new Business Administrator. Since that time a treasurer's report is prepared and submitted at each monthly Board meeting. Every month the business manager has been improving the process in order present the Board of Education the tools that are needed to make better-informed decisions.

2.) The District and especially the Business office will work towards improving the procedures that are performed by district employees so that payroll and employee benefit information entered into the financial software can be better utilized in preparing a multi-year budget as requested by the Pennsylvania Auditor General to better ensure that the District is prepared to meet it's future financial obligations.

3.) In working toward the preparation of multi-year salary budgets the District will work to improve the process and procedures in which salaries and employee benefits are budgeted for regular and special instructional departments so that budgeted amounts more accurately match what was agreed upon during the most recent salary negotiations.

4.) The business administrator is working with his staff to improve the process of which expenditures are being reported in the financial software package so that a monthly expenditure report can be presented to Board that shows expenditures by line item along with the corresponding budgeted amounts.

Yes

No

Additional pages attached: _____

Signatures and Date: _____

Superintendent, Ex. Director, Director 5/14/19

Robert W. Kunk, CPA 5-14-19

Business Manager

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School District

Date: 5/1/2019

Audit Period: July 1, 2013 Through June 30, 2017

Date Due: 5/8/2019

Comment: Finding X Observation Verbal

Title: The District Overpaid Three Secondary Transportation Vendors a Total of \$310,987, With the Overpayment to One Vendor Totaling At Least \$263,413

 x Management agrees with the Finding

 Management disagrees with the Finding

 Management waives the opportunity to reply at this time

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

The “new” Business Manager, in the late fall of 2018, discovered the issue and immediately self-reported the matter to the auditors. The District terminated its relationship with the vendor at issue. Through creative oversight by the Board and Administration, the District has worked with its insurance company and the State auditors resulting the District anticipating receiving full reimbursement for its overpayment with the insurance company pursuing the overpaid vendor. The District also removed the Superintendent, who was also the employee formerly responsible for reporting transportation reimbursement information to the State, from all of his duties.

1.) The School District is currently working with our Attorneys’ to finalize written contracts that meet the terms and conditions recommended by the Auditor General.

2.) The School District will make sure that the finalized contracts will be based upon the previous years transportation amount if possible and the final payment for the year will act as a reconciliation payment if the terms of the newly contracted terms are at the “State Rate”

3.) The business office will implement procedures to be put in place so that soon all relevant information including budget to actual transportation information will be presented along with the check registers to be reviewed by the Board of Education.

4.) The District is in the process of approving a job description for a newly created full-time position. Upon the approval and hiring the district will implement procedures to ensure that the transportation department will coordinate with the business office so that proper vehicle data and transportation mileage is accurate in order to generate a proper invoice and a payment process that is acceptable with the approval of all parties involved.

5.) The District will ensure that all personnel in the transportation department will be properly and fully trained in the process of reporting all required PDE transportation reports.

6.) As part of the training process that will be implemented by the District in the above response to recommendation #5 the district will ensure that all transportation personnel will also be properly and fully trained in any and all secondary software that the transportation department utilizes to complete all necessary PDE reporting requirements.

7.) Until a new transportation employee is hired the District is unsure whether they will review the preliminary information and submit revised data that PDE can use in calculating the District's 2017-18 regular transportation reimbursement amount.

8.) The District will work closely with our solicitor to recover all overpayments owed to the District from any of the vendors involved in the overpayment of District Transportation funds.


9.) Until a new transportation employee is hired the District is unsure whether an employee will also review the payments made to Vendors B and C for the 2018-19 school year to ensure accuracy and appropriateness and work with all parties involved to make any necessary adjustments.

Additional pages attached: Yes _____ No _____

Signatures and Date:



Superintendent, Ex. Director, Director 5/14/19

 CPA 5-14-19

Business Manager

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School District

Date: 5/1/2019

Audit Period: July 1, 2013 Through June 30, 2017

Date Due: 5/8/2019

Comment: Finding X Observation Verbal

Title: A Board Member Failed to Abstain from Voting to Approve Payments to a Closely
Related Vendor

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


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

- 1.) The District will reinforce the policies as set forth by the "Pennsylvania Public Office and Employees Ethics Act" and make all board members aware of what the law says and how it relates to the District's Board of Education and the decisions and disclosures that must be made on possible conflicting matters.
- 2.) The District will reinforce the policies as set forth by the "Pennsylvania Public Office and Employees Ethics Act" and make all board members aware of what the law says and how it relates to the District's Board of Education and the decisions of abstaining from voting to approve payments to all immediate family members and to state the reason for abstention so that it can be documented in the public board meeting minutes.
- 3.) The District will work with its solicitors to attempt to resolve from entering into agreements with vendors that are immediate family members as defined by the Pennsylvania Public Office and Employees Ethics Act whenever possible.
- 4.) The District will work with its solicitors to adopt a well -defined anti-nepotism policy that would pertain to both the District board members and the administrators of the District.

Additional pages attached: Yes No

Signatures and Date:


Superintendent, Ex. Director, Director

 CPA 5-13-19
Business Manager

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School DistrictDate: 5/1/19Audit Period: July 1, 2013 Through June 30, 2017Date Due: 5/8/19Comment: Finding X Observation Verbal Title: The District Failed to Retain Required Documentation to Support More than \$6 Million in Transportation Reimbursements

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

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


- 1.) The District will take immediate action to ensure that all documentation that supports Transportation data and the calculation for reimbursement from PDE including odometer readings, bus rosters, and all original information provided from transportation vendors will be retained by the District in accordance with record retention requirements as set by the Pennsylvania School Code.
- 2.) The District will establish a safe & adequate location to store all source documents and calculations that support all transportation data submitted to PDE.
- 3.) The District will ensure that all record retention requirements pertaining to transportation will be documented and communicated to the transportation staff.

The person responsible for the failure to maintain the records has been relieved of all duties.

Additional pages attached: Yes No

Signatures and Date:


Superintendent, Ex. Director, Director 5/14/19

 5-14-19
Business Manager

Department of the Auditor General
Bureau of School Audits

Management Reply

LEA: Hanover Area School District

Date: March 12, 2019

Audit Period: July 1, 2013 Through June 30, 2017

Date Due: March 21, 2019

Comment: Finding X Observation Verbal

Title: The District Incorrectly Reported the Number of Nonpublic School and Charter School
Students Transported Resulting in a Net Overpayment of \$16,940

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

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


1. The District will ensure that personnel in the transportation department will prepare a yearly reconciliation to ensure that nonpublic and charter school students are correctly reported separately and accurately to PDE.
2. The transportation department will develop written procedures to administer accurate recording and reporting of nonpublic and charter school students and have those reports reviewed by a separate individual with knowledge of procedures in order to verify the accuracy of the report.
3. As part of the above written procedures the transportation department will incorporate a trend analysis of nonpublic and charter students. The purpose of this analysis will be to identify and substantiate any extreme variances that have been identified.
4. The District will ensure that all personnel in the transportation department will be properly trained in the process of calculating and reporting all nonpublic and charter school students as required by PDE.
5. The sworn statement of student transportation will be double checked by properly trained personnel and verified by the District's business manager before being filed with the state Secretary of Education.

The person responsible for the errors in reporting has been relieved of all duties.

Additional pages attached: Yes No

Signatures and Date:


Superintendent, Ex. Director, Director 5/14/19

 5-14-19
Business Manager