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Auditor General DePasquale: Lehigh Area School District Audit Should Serve as Warning for Districts Across PA

HARRISBURG – Auditor General Eugene DePasquale today said the issues uncovered by his new audit of the Lehigh Area School District in Carbon County should serve as a warning for districts across Pennsylvania.

“The Lehigh district greatly overextended itself by taking on enormous amounts of debt, then tapping its reserve funds to build a new stadium for which it had not budgeted,” DePasquale said. “On top of that, the district spent millions of taxpayer dollars on a private education contract that district officials had mistakenly believed would be achieved at no cost.”

Lehigh Area School District’s general fund balance dropped at an alarming rate during the audit period, falling from approximately \$14.2 million as of June 30, 2015 to \$874,439 as of June 30, 2019. This was largely due to the district’s failure to budget for capital expenditures coupled with the costs of borrowing \$62 million to consolidate and renovate school buildings.

“The district racked up a stunning \$17.3 million tab for debt service during the audit period,” DePasquale said. “By the time the debt is scheduled to be paid off in 2044, district taxpayers will have paid over \$43 million in interest on the loans.”

The audit also noted that the district entered into a supposed “no-cost” contract to create Science, Technology, Engineering, and Math (STEM) academies at the elementary, middle, and high schools. In reality, the complex contract with the National Education Foundation (NEF) ended up costing the district over \$3 million.

NEF provides the 10 percent in-kind match required for the Qualified Zone Academy Bonds (QZAB) proceeds. Lehigh Area School District issued two QZABs during the review. The audit recommends that the district try to recoup some of the money it paid for services it never received from NEF as part of the arrangement.

DePasquale noted that when the contract issue came up during the Lehigh audit, he directed his team to review other Pennsylvania school districts that have issued QZABs. While some of these districts have been audited and similar concerns were not identified, reviewing these bonds and associated contracts will continue to be a part of the Auditor General’s audit process.

According to the Pennsylvania Department of Education, the following districts issued QZABs between 2009 and 2016:

- Chester Upland School District, Delaware County
- Greater Johnston, Cambria County
- Midd-West School District, Snyder County
- Minersville Area School District, Schuylkill County
- Shamokin Area School District, Northumberland County

- Sharon City School District, Mercer County
- Tri-Valley School District, Schuylkill County
- Warren County School District, Warren County
- Warren County CTC, Warren County
- Williams Valley School District, Schuylkill County
- York City School District, York County

“While the problem seems to be isolated to Lehighon Area School District, this is a reminder that school district officials should carefully vet every proposal that comes before them, especially as so many districts are grappling with serving students during the pandemic,” DePasquale said. “Not only should all proposals undergo a careful legal review, the full school board should vote on whether to move forward with a full understanding of the costs and benefits.”

The [Lehighon Area School District audit report](#) includes two findings and eight recommendations which the district already is working to implement. Learn more about the Department of the Auditor General online at www.PaAuditor.gov.

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