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Auditor General DePasquale Refers Hanover Area School District Audit Findings to Ethics Commission and Prosecutors

Luzerne Co. school district overpaid vendors by hundreds of thousands of dollars

HARRISBURG – Auditor General Eugene DePasquale today said his new audit of the Hanover Area School District found the Luzerne County district overpaid vendors by hundreds of thousands of dollars, findings that he will refer to the Ethics Commission and county prosecutors.

“At the same time the district’s finances were in a free-fall, the school board appeared to be rubber-stamping a series of bad financial decisions that included gross overpayments to district vendors,” DePasquale said. “There were serious potential conflicts of interest because a board member voted to approve payments involving a contract held by a family member – which should have never happened.”

The audit, which covered July 1, 2013 to June 30, 2017, found the district overpaid three transportation vendors a total of \$310,987. This included an overpayment to one busing company of at least \$263,413.

“That overpayment went to a busing company owned by the parents of the school board’s president,” DePasquale said. “The district was forced to recover the money from its insurance carrier after the bus company flatly refused to return the overpayment.”

After auditors identified the overpayments, they also discovered the district had not maintained records to support more than \$6.4 million in transportation payments made over the four-year audit period. In addition, the district incorrectly reported non-public and charter student transportation data to the state. This resulted in the district receiving an overpayment from the state of more than \$16,000.

“I cannot stress this enough: school districts must keep complete and accurate records,” DePasquale said. “This helps to ensure that taxpayer dollars are not wasted and that students’ needs come first.”

DePasquale’s audit contains 26 recommendations to help the school district to improve financial management in the future.

“Board members must be required to disclose potential conflicts of interest and abstain from voting on decisions when conflicts arise,” he said. “The district should also develop a strong anti-nepotism policy that would apply to board members and administrators.”

The matter led the district to replace several key administrators and hire a new busing contractor.

Review the [Hanover Area School District performance audit](#) and learn more about the Department of the Auditor General online at www.paauditor.gov.

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