



Pennsylvania Department of the

AUDITOR GENERAL

Facebook: Pennsylvania Auditor General

Twitter: @PaAuditorGen

News for Immediate Release

Sept. 12, 2018

Auditor General DePasquale Finds Former Coatesville School Superintendent Stole \$54,597 in Unauthorized Salary Increases

HARRISBURG – Auditor General Eugene DePasquale today said the former superintendent at Coatesville Area School District gave himself three consecutive and excessive unauthorized salary increases totaling \$54,597 while the school district was struggling to meet operating expenses.

“This is a horrendous example of a school superintendent lining his own pockets with money intended to line classroom shelves with books for students,” DePasquale said. “The amount of money he stole could have paid for a teacher’s salary, so the former superintendent basically deprived students of one more teacher in their classrooms.”

Auditors uncovered that between 2011-12 and 2013-14 the unauthorized salary increases ranged from 8-10 percent totaling \$54,597. Those raises far exceeded the three percent annual increase stipulated in his original contract. The increases were not authorized by the school board and not discovered until this audit.

Fiscal Year	Annual Salary ¹⁷	Increase from Prior Year	Highlights of Significant Financial Events ¹⁸
2010-11	\$192,897	---	April 2011: early retirement incentive offered
2011-12	\$208,329	8%	January 2012: Moody's downgrade of debt
2012-13	\$224,995	8%	June 2013: Moody's downgrade of debt External borrowing to cover expenditures
2013-14	\$247,494	10%	Criminal & internal investigations of Superintendent underway

“School board members have a responsibility to ensure that such abuses do not take place,” DePasquale said. “In Coatesville, the former school board failed to do its job and students and taxpayers are paying the price.”

The 46-page audit report released today covers 2012 through 2016; it includes two findings and five recommendations for improvement.

The report also includes a review of whether the district implemented 39 recommendations included in a 2015 report from a law firm hired to coordinate with the district attorney’s office to investigate a range of actions by three former district officials: superintendent, athletics director, and solicitor. The firm also investigated a series of racist and sexist text messages exchanged between the former superintendent and the former athletic director that drew a national spotlight on the district.

Among the recommendations implemented:

- The district was able to recoup some of the \$5,000 improperly used to purchase football championship rings and pendants for 25 adults (not students).
- The district significantly reduced the number of cell phones issued, conducted surprise audits to monitor usage and eliminated texting features. The former superintendent issued more than 100 cell phones — many to friends and family members who worked for the district — that cost the district between \$70,000 and \$80,000 annually.
- Seven of the recommendations related to the district’s hiring process. The district responded by completely overhauling its hiring policies and procedures.

- The district sued the former solicitor and recouped \$420,000 in a settlement claiming he provided flawed legal advice and overbilled the district.
- The district filed lawsuits in civil court against the former superintendent and the former athletic director. The district received restitution of \$15,000 from the former athletic director; resolution of the lawsuit against the former Superintendent was still pending as of July 2018.

The audit report is being forwarded to the Chester County District Attorney, the State Ethics Commission, and the Auditor General for review in case additional charges are warranted.

“I applaud the work of Conrad O’Brien for their thorough review of district practices and sound recommendations for improvements that led to sweeping changes that should provide renewed hope for students and taxpayers in the Coatesville School District,” DePasquale said, noting that several challenges remain.

Auditors found that in the 2016-2017 school year, the general fund balance fell from \$11.9 million to \$2.8 million, which is significantly lower than the fund balance of five percent stipulated in district policy. The overall general fund decrease was due mostly to the rising costs of charter school tuition, special education funding, health benefits, and retirement contributions.

“School boards must prepare for the reality of rising costs to ensure adequate resources are available to provide students with a high quality education,” DePasquale said. “School districts must plan ahead just as we do in our everyday lives to make sure that there is a rainy day fund available for an emergency or unanticipated cost.”

Charter School Tuition Increases Hurt Struggling District

Auditors found that charter school costs affected the district’s financial status and reduced funds available to support academic programs.

The financial burden of charter schools grew from \$20.2 million in 2012-13 to \$34 million in the 2016-17 school years –a 70 percent increase in charter costs.

“What we are seeing in Coatesville is a negative cycle where charter school payments drain limited resources and could threaten the quality of education in a district. This drives students to charter schools, which increases payments to charters and places more financial pressure on the struggling district,” DePasquale said.

“The increasing financial burden on school districts is one of many reasons I’ve been saying for years that Pennsylvania has the worst Charter School Law in the nation and it needs to be overhauled so that all students have access to high quality education.”

The district’s special education costs increased rapidly from \$24,322,073 in 2012-13 to \$38,765,814 in 2016-17. During the same time, state reimbursements for special education were stagnant.

The Coatesville Area School District is audit report [available online at www.PaAuditor.gov](http://www.PaAuditor.gov).

###

