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Auditor General DePasquale Says Monessen School District's Missteps Could Hurt Credit Rating, Future Financing

HARRISBURG – Auditor General Eugene DePasquale today said his recent performance audit of the Monessen City School District shows the district continues to struggle with late financial statements and reports while putting its own financing and credit ratings at risk.

“Monessen school district board and administrators must make some changes so that funding for student education is never again compromised,” DePasquale said. “My team found that the district’s annual financial statements were not issued on time during the three years of my audit.”

“These financial statements are important because they provide the school board and the public with financial information necessary to the decision-making process. This is not a fiscally responsible way to run a school district,” he said.

The 30-page audit report covers July 2012 through June 2016; it contains two findings and nine recommendations.

Auditors found that the district was not able to refinance its bonds due to the three-month late filing of its 2016-17 annual financial statements. Requests for the three-month late financial statements came from Standard & Poors, Moody’s, the Pennsylvania Department of Education (PDE), and bondholders.

“School districts must pay closer attention to their credit rating because it affects the cost to borrow funding for school projects,” DePasquale said. “There is ultimately a negative impact on students and taxpayers when districts fail to complete timely financial reporting that affects their credit rating.”

The audit also found that:

- the financial statements for fiscal year 2015 were 535 days late, and
- the financial statements for fiscal years 2016 and 2017 were not issued as of June 1, 2018.

The district hired a private auditing firm to complete the financial statements. Despite the fact that the firm’s contract stipulated when auditors would begin their work and when the financial statements would be issued, none of the deadlines were met. However, the district paid the firm prior to completion of the work so the contractor had no fiscal incentive to meet the deadlines.

Auditors noted that the district superintendent falsely certified to PDE that the district’s independent financial audit report was complete for the 2014-15 fiscal year when it was actually not completed for another 17 months.

DePasquale’s audit report raises concerns about the school board’s lack of involvement. Board meeting minutes documented motions and votes, but there were no discussions about missed deadlines and late financial statements.

“The culture at the Monessen City School District needs to change,” DePasquale said. “There is clearly a problem with keeping their financial house in order. Students in Monessen cannot afford to lose a single

dollar that the district needs for classroom education and that is why mending the financial store is a critical responsibility.”

This is not the first audit of the district that found problems in managing the district’s finances. [The 2014 audit of the district](#) noted that Monessen paid \$730,987 more in transportation costs than what could be reimbursed by PDE.

The second finding involves the school district incorrectly reporting transportation data to PDE resulting in a \$447,388 overpayment to the district. The school district reported students who were not eligible for reimbursement during the 2012-13 through 2015-16 school years.

In addition, the district incorrectly reported the number of students transported during the 2013-14 and 2014-15 school years.

Current district officials told auditors that they were unaware of the reporting requirements of non-reimbursable students. The audit covered four school years where multiple, different officials were responsible for reporting transportation data and the district failed to accurately report non-reimbursable students each year.

“Monessen can and must do better in managing transportation data and finances,” DePasquale said.

“While we have found school transportation reimbursement issues in other school districts, the fact that Monessen is mismanaging its records in multiple areas is troubling.

“Students are the ones who suffer when school districts lack organization and it is time that Monessen City School District realizes that it must correct these errors for the students’ sake.”

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

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