

School District of Philadelphia Pennsylvania

Schedule of Financial Assistance



Fiscal Year Ended June 30, 2008

**School District of Philadelphia
Pennsylvania**

**Schedule of
Financial Assistance**

Fiscal Year Ended June 30, 2008

Prepared By:

Office of General Accounting

**SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**SCHOOL DISTRICT OF PHILADELPHIA
SCHEDULE OF FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Section I.

Introductory

Section

THE SCHOOL DISTRICT OF PHILADELPHIA

440 N. BROAD STREET, SUITE 301

PHILADELPHIA, PENNSYLVANIA 19130

ARLENE C. ACKERMAN
SUPERINTENDENT

TELEPHONE (215) 400-4100
FAX (215) 400-4104

October 8, 2009

School Reform Commission
440 North Broad Street, Suite 101
Philadelphia, PA 19130

Dear Members of the School Reform Commission:

The Schedule of Financial Assistance ("SFA") of The School District of Philadelphia ("School District") for the fiscal year ended June 30, 2008, which is comprised of the Schedule of Expenditures of Federal Awards ("SEFA") and the Pennsylvania Department of Public Welfare's ("DPW") Supplementary Schedule, is submitted herewith. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the Federal and DPW financial activity of the School District as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial assistance have been included.

THE FEDERAL SINGLE AUDIT REQUIREMENT

The United States Congress enacted the Single Audit Act Amendments of 1996 (the "Act"), and the President signed the Act into law on July 5, 1996. The Office of Management and Budget ("OMB") issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in accordance with the Act, to clarify and establish audit requirements for States, Local Governments and Non-Profit Organizations. The School District is required by the Act to have an annual audit performed on its entire operations, including a separate reporting on its federal financial activity or otherwise the SEFA.

The School District's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2008, presents the entire operations of the School District. The CAFR was issued under separate cover on December 29, 2008. The SFA is issued in conjunction with the CAFR in order to comply with the reporting provisions of the Act. The report of the independent auditor on the SEFA, dated December 29, 2008 coincides with the date of the independent auditor's report on the School District's basic financial statements contained in our CAFR, as the financial presentations in each report are derived from the same financial activity in the School District's various funds.

Copies of the reporting package (CAFR and SFA) and Data Collection Form must be forwarded to the Federal Audit Clearinghouse or otherwise the U.S. Bureau of the Census. In addition, a reporting package must be issued to each federal agency providing direct funding and affected by an audit finding on the Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Year Findings, and to required state or other governments. The report must be forwarded within the earlier of 30 days after receipt of the auditor's report(s), or nine months after our fiscal year end of June 30, 2008, unless extended. In accordance with the Act, the SFA will be made available for public inspection.

The Schedule of Expenditures of Federal Awards of the School District of Philadelphia is presented in Section II of the SFA.

STATE OF PENNSYLVANIA SINGLE AUDIT REQUIREMENT

On November 1, 2000, the DPW issued the Single Audit Supplement as an aid to local government entities and their independent auditors in the specific auditing and performance of the Single Audit. This supplement provides program specific auditing and reporting requirements which are applied in conjunction with the Single Audit Act's required standards and guidelines for programs funded through the DPW.

DPW's Supplementary Schedule is presented in Section VII.

COGNIZANT AGENCY

The OMB, in accordance with the Act, assigned the U.S. Department of Health and Human Services, National External Audit Review Center as the Cognizant Agency for the School District.

INDEPENDENT AUDITOR

The Philadelphia Home Rule Charter establishes the City Controller, a separately elected official, as the independent auditor of The School District of Philadelphia. Our Cognizant Agency has recognized the independence of the City Controller and the Single Audit was conducted through his appointed Certified Public Accountant in charge of auditing, in accordance with the provisions of The Philadelphia Home Rule Charter.

AUDITOR REPORTS

The Single Audit Act, in conjunction with the American Institute of Certified Public Accountants, requires that the auditor issue three reports in connection with its examination of the SEFA: The Report on (1) the Schedule of Expenditures of Federal Awards; (2) Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards; and (3) Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. Additionally, the DPW's Single Audit Supplement requires that the auditor issue a report on the application of certain agreed upon procedures. These federal and state requirements have been met and the reports are included herein.

PLAN FOR CORRECTIVE ACTION

The Act requires that the School District submit its plan for corrective action to address each audit finding included in the current year auditor's reports. The School District's Plan for Corrective Action is included in the 'Grantee's Response' section following each finding.

ACKNOWLEDGEMENTS

The preparation of this report was made possible by the dedicated service of the entire staff of the Financial Services Office, especially the Office of General Accounting and the Office of Management and Budget – Grants. We express our sincere appreciation to all the members of these departments who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their cooperation and assistance.

Respectfully,



Arlene C. Ackerman, Ed.D.
Superintendent of Schools



Michael J. Masch
Chief Business Officer

Section II.

Schedule of

Expenditures of

Federal Awards



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Philadelphia, Pennsylvania, a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the School District of Philadelphia, Pennsylvania's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Albert F. Scaperotto".

December 29, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<u>Food Stamp Cluster</u>					
U.S. Department of Agriculture					
Passed - Through Programs: PA Department of Public Welfare		(Passed Through PENN STATE UNIVERSITY)			
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
Pennsylvania Nutrition Education Plan	10.561	4000008692	3074-SDP-COP-8692	9,493,784	0
Pennsylvania Nutrition Education Plan	10.561	-	3288-SDP-COP-8692	9,606,592	2,037,146
Pennsylvania Nutrition Education Plan	10.561	-	3579-SDP-COP-8692	9,433,781	3,920,691
Subtotal 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				28,534,157	5,957,837
Subtotal Passed - Through Programs: PA Department of Public Welfare				28,534,157	5,957,837
Passed - Through Programs: PA Department of Education					
10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program					
ELECT	10.561	-	RA-110-06-0019	284,468	0
ELECT	10.561	-	RA-110-07-0019	284,468	284,468
Subtotal 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				568,936	284,468
Subtotal Passed - Through Programs: PA Department of Education				568,936	284,468
Total U.S. Department of Agriculture				29,103,093	6,242,305
Total Food Stamp Cluster				29,103,093	6,242,305

Child Nutrition Cluster

U.S. Department of Agriculture

Passed -Through Programs: PA Department of Education

10.553 School Breakfast Program

Breakfast	10.553	-	365/367/511	13,662,199	0
Breakfast	10.553	-	365/367/511	12,632,310	12,632,310
Program Income	10.553	-	-	74,695	74,695
Subtotal 10.553 School Breakfast Program				26,369,204	12,707,005

10.555 National School Lunch Program

Lunch and Snack	10.555	F82024	359/362/510	42,896,329	0
Lunch and Snack	10.555	F82024	359/362/510	43,088,572	43,088,572
Program Income	10.555	-	-	1,578,365	1,578,365
Subtotal 10.555 National School Lunch Program				87,563,266	44,666,937

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other		
				\$	\$
Subtotal Passed -Through Programs: PA Department of Education				113,932,470	57,373,942
Total U.S. Department of Agriculture				113,932,470	57,373,942
Total Child Nutrition Cluster				113,932,470	57,373,942

Highway Planning and Construction Cluster

U.S. Department of Transportation

Passed -Through Programs: Delaware Valley Regional Planning Commission

20.205 Highway Planning and Construction

Bicycle Education - BEEP	20.205	06-47-072-A	397,894	9,469
Bicycle Education - BEEP	20.205	0-47-073	112,324	3,450
Subtotal 20.205 Highway Planning and Construction			510,218	12,919
Subtotal Passed -Through Programs: Delaware Valley Regional Planning Commission ..			510,218	12,919
Total U.S. Department of Transportation			510,218	12,919
Total Highway Planning and Construction Cluster			510,218	12,919

Special Education Cluster

U.S. Department of Education

Passed -Through Programs: IU 1

84.027 Special Education - Grants to States

V.O.I.C.E. Transition - School to Employment	84.027	062-07-0-032	TPG2009	41,000	478
Subtotal 84.027 Special Education - Grants to States				41,000	478
Subtotal Passed -Through Programs: IU 1				41,000	478

Passed -Through Programs: Allegheny IU

84.027 Special Education - Grants to States

Inclusive Practices Mini Grant	84.027	062-07-0-077	25,775	0
Inclusive Practices Mini Grant	84.027	062-08-0-077	42,041	34,803
Subtotal 84.027 Special Education - Grants to States			67,816	34,803
Subtotal Passed -Through Programs: Allegheny IU			67,816	34,803

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
Passed -Through Programs: PA Department of Education					
84.027 Special Education - Grants to States					
IDEA-B	84.027	H027A40093	062-06-0026	44,066,633	0
IDEA-B	84.027	H027A40093	062-07-0026	43,002,070	0
IDEA-B	84.027	H027A70093	062-08-0026	42,966,053	42,952,707
Subtotal 84.027 Special Education - Grants to States				130,034,756	42,952,707
Subtotal Passed -Through Programs: PA Department of Education				130,034,756	42,952,707
Passed -Through Programs: PA Department of Education (PaTTAN)					
84.027 Special Education - Grants to States					
School Based Behavioral Health Services	84.027		SBBH002	47,086	0
School Based Behavioral Health Services	84.027		SBBH002	68,028	68,028
Subtotal 84.027 Special Education - Grants to States				115,114	68,028
Subtotal Passed -Through Programs: PA Department of Education (PaTTAN) ..				115,114	68,028
Total U.S. Department of Education				130,258,686	43,056,016
Total Special Education Cluster				130,258,686	43,056,016
CCDF Cluster					
U.S. Department of Health and Human Services					
Passed - Through Programs: PA Department of Public Welfare					
93.575 Child Care and Development Block Grant: (See Notes)					
Comprehensive Day Care Program	93.575	95-STAT-357	DC54000041330	1,032,776	877,105
Subtotal 93.575 Child Care and Development Block Grant				1,032,776	877,105
Subtotal Passed - Through Programs: PA Department of Public Welfare				1,032,776	877,105
Total U.S. Department of Health and Human Services ..				1,032,776	877,105
Total CCDF Cluster				1,032,776	877,105

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other		
				\$	\$
<u>Medicaid Cluster</u>					
U.S. Department of Health and Human Services					
Passed -Through Programs: PA Department of Public Welfare					
93.778 Medical Assistance Program					
Health Related Transportation and Administration	93.778	N/A	-	2,201,598	0
Health Related Transportation and Administration	93.778	N/A	-	1,611,803	1,611,803
Subtotal 93.778 Medical Assistance Program				3,813,401	1,611,803
Subtotal Passed -Through Programs: PA Department of Public Welfare				3,813,401	1,611,803
Total U.S. Department of Health and Human Services				3,813,401	1,611,803
Total Medicaid Cluster				3,813,401	1,611,803

U.S. Department of Agriculture

Direct Programs

10.226 Secondary and Two - Year Postsecondary Agriculture Education Challenge Grants

Agriculture Curriculum Enhancement	10.226	05-523-38414	-	34,739	2,514
Subtotal 10.226 Secondary and Two - Year Postsecondary Agriculture Education Challenge Grants				34,739	2,514

Subtotal Direct Programs				34,739	2,514
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Passed -Through Programs: PA Department of Agriculture

10.550 Food Distribution Program (See Notes)

Food Distribution Program	10.550	-	-	4,228,251	1,297,790
Food Distribution Program	10.550	-	-	4,992,475	3,332,320
Subtotal 10.550 Food Distribution Program				9,220,726	4,630,110

Subtotal Passed -Through Programs: PA Department of Agriculture				9,220,726	4,630,110
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Passed -Through Programs: PA Department of Education

10.558 Child and Adult Care Food Program

Child and Adult Care Food Program	10.558	F92025	164	2,974,695	0
Child and Adult Care Food Program	10.558	F92025	164	3,443,272	3,443,272
Subtotal 10.558 Child and Adult Care Food Program				6,417,967	3,443,272

**School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other		
				\$	\$
Subtotal Passed -Through Programs: PA Department of Education				6,417,967	3,443,272
Total U.S. Department of Agriculture				15,673,432	8,075,896
<u>U.S. Department of Defense</u>					
12.002 Procurement Technical Assistance For Business Firms					
Reimbursable Training Project	12.002	-	-	12,578	0
JROTC Programs	12.002	20USC83475	-	1,130,393	0
JROTC Programs	12.002	20USC83475	-	87,528	7,366
JROTC Programs	12.002	20USC83475	-	1,109,567	1,109,567
Subtotal 12.002 Procurement Technical Assistance For Business Firms				2,340,066	1,116,933
Total U.S. Department of Defense				2,340,066	1,116,933
<u>Department of Housing and Urban Development</u>					
14.854 Public and Indian Housing Drug Elimination Program (Passed Through Philadelphia Housing Authority)					
STC Philadelphia Housing Project	14.854	P-003096	MISC-75(01/02)	533,700	0
Subtotal 14.854 Public and Indian Housing Drug Elimination Program				533,700	0
Total Department of Housing and Urban Development				533,700	0
<u>U.S. Department of Justice</u>					
Passed -Through Programs: City of Philadelphia					
16.523 Juvenile Accountability Block Grants					
Juvenile Accountability Incentive Block Grant	16.523	2002-JB-11-13141	-	44,206	0
Juvenile Accountability Incentive Block Grant	16.523	2003-JB-11-14244	-	54,206	0
Juvenile Accountability Incentive Block Grant	16.523	2004-JB-11-15432	-	44,206	0
Juvenile Accountability Incentive Block Grant	16.523	2005-JB-11-15432	-	42,950	0
Juvenile Accountability Incentive Block Grant	16.523	2006-JB-11-15432	-	84,000	54,921
Subtotal 16.523 Juvenile Accountability Block Grants				269,568	54,921
16.592 Local Law Enforcement Block Grant Program					
Justice Assistance Grant	16.592	2005D-JBX-0907	-	62,830	51,750
Subtotal 16.592 Local Law Enforcement Block Grant Program				62,830	51,750
Subtotal Passed -Through Programs: City of Philadelphia				332,398	106,671
Total U.S. Department of Justice				332,398	106,671

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other		
				\$	\$
<u>U.S. Department of Labor</u>					
17.261 WIA Pilots Demonstrations, and Research Projects					
Project U Turn Expansion	17.261	YF163480760A-42	-	4,800,000	1,239,504
Youth Offenders Alternative Education Program	17.261	YF1694707A-42	-	1,000,000	20,984
Subtotal 17.261 WIA Pilots Demonstrations, and Research Projects				5,800,000	1,260,488
Total U.S. Department of Labor				5,800,000	1,260,488
<u>Office of Library Services, Institute of Museum and Library Services</u>					
Passed -Through Programs: PA Department of Education					
45.310 Grants to States					
Library Services & Technology Act	45.310	202-709092	-	13,500	13,233
Subtotal 45.310 Grants to States				13,500	13,233
Subtotal Passed -Through Programs: PA Department of Education				13,500	13,233
Total Office of Library Services, Institute of Museum and Library Services				13,500	13,233
<u>Environmental Protection Agency</u>					
Passed -Through Programs: City of Philadelphia					
66.202 Congressionally Mandated Projects					
Lead Poisoning Prevention Program	66.202	X-973278-01-0	-	247,100	0
Subtotal 66.202 Congressionally Mandated Projects				247,100	0
Subtotal Passed -Through Programs: City of Philadelphia				247,100	0
Total Environmental Protection Agency				247,100	0
<u>U.S. Department of Energy</u>					
81.052 Energy Conservation for Institutional Buildings					
Cycle XIII-Various Schools	81.052	DEFGA393R	-	74,092	0
Subtotal 81.052 Energy Conservation for Institutional Buildings				74,092	0
Total U.S. Department of Energy				74,092	0

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
U.S. Department of Education					
Direct Programs					
84.041 Impact Aid					
Impact Area Aid	84.041	S041B074404	48PA941012	285,401	285,401
Subtotal 84.041 Impact Aid				285,401	285,401
84.165 Magnet Schools Assistance					
Magnet Schools Assistance Programs	84.165	U165A070081	-	2,838,341	878,751
Subtotal 84.165 Magnet Schools Assistance				2,838,341	878,751
84.184 Safe and Drug-Free Schools and Communities---National Programs					
Emergency Response and Crisis Management	84.184	Q184E060261	-	714,607	263,879
Persistently Dangerous Schools	84.184	Q184V070007	-	3,660,510	2,846,179
Subtotal 84.184 Safe and Drug-Free Schools and Communities---National Programs				4,375,117	3,110,058
84.215 Fund for the Improvement of Education					
Teaching American History 'C'	84.215	U215X030281	-	241,073	22,576
Teaching American History 'C'	84.215	U215X030281	-	281,636	20,817
Teaching American History 'C'	84.215	U215X030281	-	324,741	136
Partnership in Character Ed.	84.215	Q215S060031	-	496,113	268,324
Partnership in Character Ed.	84.215	Q215S070031	-	493,262	249,508
Carol M. White Physical Fitness	84.215	S215F020115	-	378,548	0
Carol M. White Physical Fitness	84.215	S215F070064	-	482,683	84,530
Carol M. White Physical Fitness	84.215	S215F070064	-	428,885	18,548
Small Learning Communities	84.215	V215L032054	-	603,631	2,620
Small Learning Communities	84.215	V215L032054	-	621,728	13,981
Small Learning Communities	84.215	V215L032054	-	524,641	76,467
Small Learning Communities	84.215	V215L042238	-	1,377,773	103,954
Small Learning Communities	84.215	V215L042238	-	750,948	207,244
Small Learning Communities	84.215	V215L042238	-	770,601	478,976
Teaching American History "E"	84.215	U215X050294	-	306,760	51,941
Teaching American History "E"	84.215	U215X050294	-	323,342	272,938
Teaching American History "E"	84.215	U215X050294	-	369,898	216,552
Subtotal 84.215 Fund for the Improvement of Education				8,776,263	2,089,112
84.293 Foreign Languages Assistance					
Chinese Language Grant	84.293	T293B020247	-	114,248	3,234
Mandarin Chinese Language Proficiency Project	84.293	T293B060166-02	-	60,906	13,445
Mandarin Chinese Language Proficiency Project	84.293	T293B060166-02	-	236,772	155,802
Arabic at Motivation High school	84.293	T293B060173-07	-	117,162	79,170

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
Subtotal 84.293 Foreign Languages Assistance				529,088	251,651
84.330 Advanced Placement Program					
Advanced Placement Program	84.330	U330C030109	-	582,454	3,523
Advanced Placement Program	84.330	U330C030109	-	582,454	1,077
Advanced Placement Program	84.330	U330C030109	-	582,454	434
Subtotal 84.330 Advanced Placement Program				1,747,362	5,034
84.351 Arts in Education					
PACEP II - Community Arts Partnership	84.351	S351B020101	-	394,577	0
Arts Bridges	84.351	U351D060146	-	270,000	12,900
Arts Bridges	84.351	U351D060146	-	270,000	185,937
Subtotal 84.351 Arts in Education				934,577	198,837
84.364 Literacy Through School Libraries					
Improve Literacy Through School Libraries	84.364	S364A050428	-	348,494	416
Subtotal 84.364 Literacy Through School Libraries				348,494	416
84.374 Teacher Incentive Fund					
Teacher Incentive Fund	84.374	S374A070025	-	1,443,017	38,398
Teacher Incentive Fund	84.374	S374A070025	-	3,372,839	588,680
Subtotal 84.374 Teacher Incentive Fund				4,815,856	627,078
Subtotal Direct Programs				24,650,499	7,446,338
Passed -Through Programs: Lancaster - Lebanon Intermediate Unit 13					
84.323 Special Education - State Personnel Development					
State Improvement Plan	84.323	056-911-0011-00	-	24,781	0
Subtotal 84.323 Special Education - State Personnel Development				24,781	0
Subtotal Passed -Through Programs: Lancaster - Lebanon Intermediate Unit 13				24,781	0
Passed -Through Programs: Lehigh University					
84.363 School Leadership					
Lehigh University	84.363	U363A030020-04	540565-78001	626,623	0
Subtotal 84.363 School Leadership				626,623	0
Subtotal Passed -Through Programs: Lehigh University				626,623	0

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
Passed -Through Programs: PA Department of Education					
84.002 Adult Education - Basic Grants to States					
City Wide Program (ABE)	84.002	-	041-07-7106	566,114	553
City Wide Program (ABE)	84.002	-	041-08-8071	537,547	537,336
Subtotal 84.002 Adult Education - Basic Grants to States				1,103,661	537,889
84.010 Title I Grants to Local Educational Agencies					
Part A - Basic	84.010	S010A020038A	013-03-0335	101,116,728	0
Part A - Basic	84.010	S010A030038A	013-04-0335	115,504,721	0
Part A - Basic	84.010	S010A040038A	013-05-0335	114,983,134	0
Part A - Basic	84.010	S010A050038A	013-06-0335	141,732,173	20,942,448
Part A - Basic	84.010	S010A060038A	013-07-0335	139,890,406	13,885,305
Part A - Basic	84.010	S010A070038A	013-08-0335	142,680,660	87,931,932
School Improvement - Set Aside	84.010	S010A050038A	042-05-0335	8,491,640	0
School Improvement - Set Aside	84.010	S010A060038A	042-06-0335	10,709,910	0
School Improvement - Set Aside	84.010	S010A070038A	042-07-0335	9,933,000	9,903,000
School Improvement - Set Aside	84.010	S010A080038A	042-08-0335	13,954,000	1,072,314
Title I Academic Achievement	84.010	S010A060038A	077-07-0335	174,384	174,384
Subtotal 84.010 Title I Grants to Local Educational Agencies				799,170,756	133,909,383
84.012 Educationally Deprived Children--State Administration					
Chapter 1 Parent Training	84.012	S010A60038	SP344572	4,500	0
Parent Involvement Mini Grants	84.012	S010A60038	SP344572	7,000	239
Subtotal 84.012 Educationally Deprived Children--State Administration				11,500	239
84.013 Title I Program for Neglected and Delinquent Children					
Neglected and Delinquent Children	84.013	S010A040038A	107-05-0335	251,220	0
Neglected and Delinquent Children	84.013	S010A050038A	107-06-0335	318,912	0
Neglected and Delinquent Children	84.013	S010A060038A	107-07-0335	382,769	252,887
Neglected and Delinquent Children	84.013	S010A070038A	107-08-0335	393,317	190,488
Subtotal 84.013 Title I Program for Neglected and Delinquent Children				1,346,218	443,375
84.048 Career and Technical Education - Basic Grants to States					
Secondary Allocation	84.048	V048A040038	380-05-5118	6,708,437	32,868
Secondary Allocation	84.048	V048A050038	380-06-6059	6,683,890	18,327
Secondary Allocation	84.048	V048A060038	380-07-7043	6,332,804	122,325
Secondary Allocation	84.048	V048A070038	380-08-8021	6,060,239	5,545,506
Subtotal 84.048 Career and Technical Education - Basic Grants to States				25,785,370	5,719,026

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
84.186 Safe and Drug-Free Schools and Communities - State Grants					
Non Public Drug Free	84.186	S186A060039	100-07-0626	471,084	41,425
Non Public Drug Free	84.186	S186A060039	100-08-0626	465,115	417,760
Drug-Free Schools	84.186	S186A050039	100-06-0335	2,233,751	0
Drug-Free Schools	84.186	S186A060039	100-07-0335	1,943,550	751,556
Drug-Free Schools	84.186	S186A060039	100-08-0335	1,888,987	932,755
Subtotal 84.186 Safe and Drug-Free Schools and Communities - State Grants				7,002,487	2,143,496
84.196 Education for Homeless Children and Youth					
Homeless Children and Youth	84.196	23-6004102	081-06-0702	325,000	118,448
Homeless Children and Youth	84.196	23-9004102	081-07-0703	325,000	200,033
Subtotal 84.196 Education for Homeless Children and Youth				650,000	318,481
84.215 Fund For The Improvement of Education					
Character Education	84.215	R215V99016	ME2726	14,248,676	0
Character Education	84.215	ME2765	074-06-0335	12,911,292	0
Character Education	84.215	ME2765	-	100,000	0
Subtotal 84.215 Fund For The Improvement of Education				27,259,968	0
84.287 Twenty - First Century Community Learning Centers					
21st Century Community	84.287	R287B990184	FC4100011330	1,000,000	0
21st Century Community	84.287	-	FC4100040406	23,363	15,084
21st Century Community	84.287	-	FC4100040406	968,261	103,141
Subtotal 84.287 Twenty - First Century Community Learning Centers				1,991,624	118,225
84.293 Foreign Language Assistance					
Foreign Language in Elementary Schools (FLES)	84.293	-	FC4100032314	38,284	1,740
Foreign Language in Elementary Schools (FLES)	84.293	-	FC4100032314	49,596	32,205
Subtotal 84.293 Foreign Language Assistance				87,880	33,945
84.298 State Grants For Innovative Programs					
Title V Innovative Education	84.298	S298A050038	011-07-0335	618,916	9,111
Title V Innovative Education	84.298	S298A050038	011-08-0335	607,654	195,268
Title V Innovative Education - Non-Public Schools	84.298	S298A050038	011-06-0626	377,215	0
Title V Innovative Education - Non-Public Schools	84.298	S298A060038	011-07-0626	166,138	0
Title V Innovative Education - Non-Public Schools	84.298	S298A060038	011-08-0626	161,706	161,706
Subtotal 84.298 State Grants For Innovative Programs				1,931,629	366,085
84.318 Education Technology State Grants					
Title II D Technology	84.318	-	055-05-0335	5,781,645	0

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other		
				\$	\$
Title II D Technology	84.318	-	055-06-0335	4,804,020	327,061
Title II D Technology	84.318	-	055-07-0335	1,959,721	594,808
Title II D Technology	84.318	-	055-08-0335	3,871,400	0
Classrooms for the Future	84.318	-	055-07-0335	585,000	293,375
Classrooms for the Future	84.318	-	055-08-0335	810,000	54,626
Education Technology	84.318	-	055-08-0626	153,950	3,868
Subtotal 84.318 Education Technology State Grants				17,965,736	1,273,738
84.332 Comprehensive School Reform Demonstration					
Comprehensive School Reform Demo.- Obey Porter	84.332	S332A050039	021-06-0335	2,620,995	1,039,522
Comprehensive School Reform Demo.- Obey Porter	84.332	S332A060039	021-06-0335	1,977,677	58,964
Comprehensive School Reform Demo.- Obey Porter	84.332	S332A030039	021-04-0335	1,753,812	0
Comprehensive School Reform Demo.- Obey Porter	84.332	S332A050039	021-06-0335	1,500,000	961,102
Comprehensive School Reform Demo	84.332	S332A050039	021-06-0335	599,005	1,809
Comprehensive School Reform Demo	84.332	S332A060039	021-06-0335	223,726	25,592
Subtotal 84.332 Comprehensive School Reform Demonstration				8,675,215	2,086,989
84.334 Gaining Early Awareness And Readiness For Undergraduate Programs					
Gear Up Support	84.334	-	SP #4000007370	448,887	0
Gear Up Support	84.334	-	SP #4000007370	392,991	306,961
Gear Up Support	84.334	-	SP #4000007370	412,142	83,870
Subtotal 84.334 Gaining Early Awareness And Readiness For Undergraduate Programs				1,254,020	390,831
84.352 Grants for School Repair and Renovation					
School Renovation, IDEA and Technology Grant	84.352	-	004-02-0335	8,634,298	0
Subtotal 84.352 Grants for School Repair and Renovation				8,634,298	0
84.357 Reading First State Grants					
Reading First	84.357	S357A020039	23-03-0335	9,677,016	0
Reading First	84.357	S357A030039	23-04-0335	9,677,016	23,577
Reading First	84.357	S357A040039	23-05-0335	8,904,676	0
Reading First	84.357	S357A050039	23-06-0335	9,925,592	131,689
Reading First	84.357	S357A060039	23-07-0335	9,379,762	9,379,762
Reading First	84.357	S357A070039	23-08-0335	10,266,153	2,292,414
Subtotal 84.357 Reading First State Grants				57,830,215	11,827,442
84.365 English Language Acquisition Grants					
Title III Language LEP	84.365	-	010-05-0335	2,471,635	0
Title III Language LEP	84.365	-	010-06-0335	2,200,629	75,560
Title III Language LEP	84.365	-	010-07-0335	3,363,348	2,383,964
Title III Language LEP	84.365	-	010-08-0335	3,062,526	795,347
Subtotal 84.365 English Language Acquisition Grants				11,098,138	3,254,871

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA		Grantor Contract Number		Total Grant Award	Federal Expenditures
	Number	Federal		Other	\$	\$
84.366 Mathematics and Science Partnerships						
PDE/MSP Title II Part B Math and Science	84.366	RA-075-06-0335		075-06-0335	915,662	244,604
PDE/MSP Title II Part B Math and Science	84.366	RA-075-07-0335		075-07-0335	914,779	738,270
PDE/MSP Title II Part B Math and Science	84.366	RA-075-08-0335		075-08-0335	960,122	0
Subtotal 84.366 Mathematics and Science Partnerships					2,790,563	982,874
84.367 Improving Teacher Quality State Grants						
Improving Teacher Quality (Non-Public)	84.367	-		020-05-0626	565,551	124,498
Improving Teacher Quality (Non-Public)	84.367	-		020-06-0626	565,551	13,208
Improving Teacher Quality (Non-Public)	84.367	-		020-07-0626	584,351	0
Improving Teacher Quality (Non-Public)	84.367	-		020-08-0626	565,551	478,938
Improving Teacher Quality (Class Size Reduction)	84.367	-		020-07-0335	21,613,810	1,770,561
Improving Teacher Quality (Class Size Reduction)	84.367	S340A070011		020-08-0335	21,653,415	18,471,168
Improving Teacher Quality (Class Size Reduction)	84.367	-		71-300001	81,786	5,716
Subtotal 84.367 Improving Teacher Quality State Grants					45,630,015	20,864,089
Subtotal Passed -Through Programs: PA Department of Education					1,020,219,293	184,270,978
Total U.S. Department of Education					1,045,521,196	191,717,316
Department of Health and Human Services						
Direct Programs						
93.600 Head Start						
Basic Grant	93.600	03CH0208/20		-	35,410,809	0
Basic Grant	93.600	03CH0208/21		-	35,956,281	0
Basic Grant	93.600	03CH0208/22		-	35,715,237	259,677
Basic Grant	93.600	03CH0208/23		-	36,250,966	36,013,972
Training and Technical Assistance	93.600	03CH0208/22		-	409,326	13,916
Training and Technical Assistance	93.600	03CH0208/23		-	434,558	429,963
Subtotal 93.600 Head Start					144,177,177	36,717,528
93.938 Cooperative Agreements to Support Comprehensive School Health Programs						
Project ARREST	93.938	U87/CCU32264605		-	305,644	181,644
Project ARREST	93.938	UDP001242A		-	249,425	50,105
Project ASTHMA Buster	93.938	U87/CCU32264604		-	176,341	9,780
Project ASTHMA Buster	93.938	U87/CCU32264605		-	236,134	130,874
Youth Risk Behavior	93.938	Y87/CC32264605		-	46,539	30,174
Subtotal 93.938 Cooperative Agreements to Support Comprehensive School Health Programs					1,014,083	402,577
Subtotal Direct Programs					145,191,260	37,120,105

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA		Grantor Contract Number		Total Grant Award	Federal Expenditures
	Number	Federal		Other		
					\$	\$
Passed -Through Programs: PA Department of Education						
93.576 Refugee and Entrant Assistance - Discretionary Grants						
Refugee Child Impact Aid	93.576	-		028-00-7004	70,000	65,801
Refugee Child Impact Aid	93.576	-		028-00-8004	80,000	8,565
Subtotal 93.576 Refugee and Entrant Assistance - Discretionary Grants					150,000	74,366
Subtotal Passed -Through Programs: PA Department of Education					150,000	74,366
Passed -Through Programs: City of Philadelphia						
93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance						
Steps to Healthy Philadelphia	93.283	U58/CC0323374	-		137,040	0
Steps to Healthy Philadelphia	93.283	U58/CC0323374	-		190,000	0
Steps to Healthy Philadelphia	93.283	U58/CC0323374	-		156,135	0
Steps to Healthy Philadelphia	93.283	U58/CC0323374	-		148,750	68,384
Steps to Healthy Philadelphia	93.283	U58/CC0323374	-		148,750	88,237
Subtotal 93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance					780,675	156,621
Subtotal Passed -Through Programs: City of Philadelphia					780,675	156,621
Passed -Through Programs: PA Department of Public Welfare						
93.558 Temporary Assistance for Needy Families						(Passed Through PA Department of Education)
ELECT	93.558	-		110-06-0019	2,299,498	0
ELECT	93.558	-		110-07-0019	2,299,498	2,299,498
ELECT Student Works	93.558	-		FCA4100035303	1,963,266	0
ELECT Student Works	93.558	-		FCA4100040411	1,963,266	1,883,881
ELECT Student Works	93.558	-		110-06-0019	252,168	0
ELECT Student Works	93.558	-		110-07-0019	252,168	252,168
Subtotal 93.558 Temporary Assistance for Needy Families					9,029,864	4,435,547
93.667 Social Services Block Grant: (See Notes)						
Comprehensive Day Care Program	93.667	95-STAT-357		DC54100030322	341,684	0
Comprehensive Day Care Program	93.667	95-STAT-357		DC54000041330	291,957	291,957
Subtotal 93.667 Social Services Block Grant					633,641	291,957
Subtotal Passed -Through Programs: PA Department of Public Welfare					9,663,505	4,727,504
Total Department of Health and Human Services					155,785,440	42,078,596

School District of Philadelphia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award	Federal Expenditures
		Federal	Other	\$	\$
<u>Corporation For National and Community Service</u>					
Passed -Through Programs: PA Department of Education					
94.004 Learn and Serve America---School and Community Based Programs					
Gratz	94.004	94LSSPA037	019-06-1102	18,000	7,000
Various Schools	94.004	94LSSPA037	019-06-VARS	50,500	35,092
Gratz	94.004	94LSSPA037	019-06-1906	55,000	0
Gratz	94.004	94LSSPA037	019-07-1907	52,000	37,607
Grover Washington	94.004	94LSSPA037	019-06-1202	55,000	0
Grover Washington	94.004	94LSSPA037	019-07-1203	52,000	51,856
School of the Future	94.004	94LSSPA037	019-06-0001	8,000	989
School of the Future	94.004	94LSSPA037	019-07-0102	18,000	10,780
Subtotal 94.004 Learn and Serve America---School and Community Based Programs ..				308,500	143,324
Subtotal Passed -Through Programs: PA Department of Education ..				308,500	143,324
Total Corporation For National and Community Service				308,500	143,324
GRAND TOTAL				1,505,280,068	353,686,547

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. GOVERNMENT OF THE SCHOOL DISTRICT

The School District of Philadelphia (the “School District”) is a separate and independent home rule school district of the first class established by the Education Supplement to the Philadelphia Home Rule Charter (the “Charter”) in December 1965. It is the largest school district in the Commonwealth of Pennsylvania (the “Commonwealth”), serving close to 200,000 students. The School District is the eighth largest in the United States in enrollment and employs approximately 22,000 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the “City”).

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly’s duties under the Constitution of the Commonwealth to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth”. Although the School District is an independent legal entity, it is considered to be a component unit of the City of Philadelphia for reporting purposes and is included in the City’s Comprehensive Annual Financial Report.

Effective December 2001 and in a cooperative effort with the City of Philadelphia to address the School District’s financial needs, the Commonwealth of Pennsylvania assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949.

Shortly thereafter, a five-member School Reform Commission (the “SRC”) was established. The SRC exercises all powers and has all the duties of the original Board of Education. The Board of Education continues in office, performing only the duties assigned, if any, by the SRC. At the time of this report, the SRC has not delegated any duties to the Board of Education. Furthermore, the Governor of Pennsylvania appointed the chairman and two other members while the Mayor of the City of Philadelphia appointed the remaining two members of the SRC. The five-member Commission performs its fiscal oversight responsibility for the Philadelphia public school system by adhering to priorities renumerated in their *Declaration of Education and Measures That Matter*.

Prior to the formation of the SRC, the School District implemented a new management structure where a Chief Executive Officer (the “CEO”) was appointed in lieu of a “Superintendent” effective November 1, 2000. The CEO performs the duties imposed on the Superintendent of Schools by both the Charter and the Public School Code of 1949 (the “School Code”) and serves as the Secretary and Treasurer of the Governing Body of the School District. The new organizational structure now includes a Chief Academic Officer, a Chief Business Officer, a Chief of School Operations and a General Counsel, all of whom directly report to the CEO.

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The CEO is responsible for the general supervision of all business affairs of the School District, the furnishing of all reports to the Department of Education of the Commonwealth and other matters prescribed by the School Code, as amended. As Treasurer, the CEO receives all Commonwealth appropriations, School District taxes and other monies of the School District, makes payments on orders approved by the Governing Body and is responsible for the investment of School District funds. Under this management structure, the CEO still performs the duties of the Superintendent of Schools under the Charter, including the pre-audit duties and functions of the school controller.

The School District also serves as the agent for the Intermediate Unit No. 26, an entity established by the Commonwealth to provide special education, special education transportation, non-public school services and related management services.

2. ORGANIZATION AND SCOPE

For the fiscal year ended June 30, 2008 the School District of Philadelphia is presenting a Single Audit Report on expenditures of federal awards. This report is issued in accordance with the Single Audit Act Amendments of 1996 (P.L. No. 104-156). This Act requires that a single audit be performed on an organization-wide basis rather than a grant program basis. The U.S. Department of Health and Human Services, National External Audit Review Center has been designated the organization-wide cognizant agency for the School District of Philadelphia's single audit.

3. MAJOR PROGRAMS

Major federal programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 3,890,417
WIA Pilots Demonstrations, and Research Projects	17.261	571,826
Title I Grants to Local Educational Agencies	84.010	501,506
Special Education _ Grants to States	84.027	11,992,305
Career and Technical Education - Basic Grants to States	84.048	742,500
Safe and Drug-Free Schools and Communities--- National Programs	84.184	1,032,199
Safe and Drug-Free Schools and Communities - State Grants	84.186	663,353
Fund for the Improvement of Education	84.215	12,000
Education Technology State Grants	84.318	470,827
Arts In Education	84.351	188,698
Improving Teacher Quality State Grants	84.367	1,399,050
Temporary Assistance for Needy Families	93.558	3,648,566
Head Start	93.600	4,883,642
Social Services Block Grant	93.667	<u>101,748</u>
Total Amount Provided to Subrecipients		<u>\$ 30,098,637</u>

**SCHOOL DISTRICT OF PHILADELPHIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**5. SCHEDULE OF PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE
EXPENDITURES**

<u>CFDA No.</u>	<u>Program Description</u>	<u>Combined Federal and State Expenditures</u>
	<u>Comprehensive Day Care Program</u>	
93.575	Child Care and Development Block Grant	\$ 877,105
93.667	Social Services Block Grant	<u>291,957</u>
	Comprehensive Day Care Program passed through DPW	\$ 1,169,062
	PA Department of Public Welfare	500,000
	Program Income (Per DPW regulation)	<u>216,033</u>
	<u>Total Comprehensive Day Care Program</u>	\$ 1,885,095
93.778	Medical Assistance Program passed through DPW	<u>1,611,803</u>
	Total DPW Expenditures	<u>\$ 3,496,898</u>

6. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Information contained in the Schedule of Expenditures of Federal Awards (SEFA) is derived from the School District's accounting systems. For reporting purposes, the School District adheres to the significant accounting policies which are in conformance with generally accepted accounting principles (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board. Program expenditures recorded in the SEFA are presented on the modified accrual basis of accounting.

**7. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CFDA 10.550 FOOD
DISTRIBUTION PROGRAM**

Information contained in the Schedule of Expenditures of Federal Awards (SEFA) for CFDA number 10.550 pertains to food commodities distributed by the United States Department of Agriculture (USDA) under the following categorical programs: the National School Lunch Program (CFDA 10.555) and the Child and Adult Care Food Program (CFDA 10.558). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the School District's fiscal year beginning July 1, 2008, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

Section III.

Independent Auditor's Reports on Compliance and Internal Control



CITY OF PHILADELPHIA

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ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Chair and Members of
The School Reform Commission of the
School District of Philadelphia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Philadelphia, Pennsylvania, a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2008, which collectively comprise the School District of Philadelphia, Pennsylvania's basic financial statements and have issued our report thereon dated December 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District of Philadelphia, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District of Philadelphia, Pennsylvania's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District of Philadelphia, Pennsylvania's internal control over financial reporting.

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

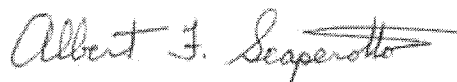
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District of Philadelphia, Pennsylvania's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

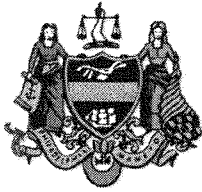
We noted certain matters that are not required to be reported under *Government Auditing Standards*. These matters were reported to management of the School District of Philadelphia, Pennsylvania in a separate letter dated December 29, 2008.

This report is intended solely for the information and use of the management of the School District of Philadelphia, Pennsylvania, others within the entity, the School Reform Commission, federal awarding agencies, pass-through entities, and the Pennsylvania Department of Public Welfare and is not intended to be and should not be used by anyone other than these specified parties.



December 29, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
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ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

Compliance

We have audited the compliance of the School District of Philadelphia, Pennsylvania with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District of Philadelphia, Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District of Philadelphia, Pennsylvania's management. Our responsibility is to express an opinion on the School District of Philadelphia, Pennsylvania's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District of Philadelphia, Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District of Philadelphia, Pennsylvania's compliance with those requirements.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

In our opinion, the School District of Philadelphia, Pennsylvania complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-01 through 08-06.

Internal Control Over Compliance

The management of the School District of Philadelphia, Pennsylvania is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District of Philadelphia, Pennsylvania's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District of Philadelphia, Pennsylvania's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-01, 08-02, 08-04, and 08-05 to be significant deficiencies.


A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

C I T Y O F P H I L A D E L P H I A
OFFICE OF THE CONTROLLER

The School District of Philadelphia, Pennsylvania's written response to the findings identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District of Philadelphia, Pennsylvania's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the School District of Philadelphia, Pennsylvania, others within the entity, the School Reform Commission, federal awarding agencies, pass-through entities and the Pennsylvania Department of Public Welfare and is not intended to be and should not be used by anyone other than these specified parties.

October 8, 2009

A handwritten signature in dark ink, reading "Albert F. Scaperotto". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

Section IV.

Schedule of Findings

and

Questioned Costs

SCHOOL DISTRICT OF PHILADELPHIA
Schedule of Findings and Questioned Costs –June 30, 2008

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ____ yes x no

Significant deficiency(ies) identified not considered to be material weakness(es)?
____ yes x none reported

Noncompliance material to financial statements noted? ____ yes x no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ____ yes x no

Significant deficiency(ies) identified not considered to be material weakness(es)?
 x yes ____ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133,
Section .510(a) x yes ____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.550	Food Distribution Program
10.558	Child and Adult Care Food Program
84.010	Title I Grants to Local Educational Agencies
84.048	Career and Technical Education – Basic Grants to States
84.184	Safe and Drug-Free Schools and Communities - National Programs
84.357	Reading First State Grants
84.367	Improving Teacher Quality State Grants
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? ____ yes x no

SCHOOL DISTRICT OF PHILADELPHIA
Schedule of Findings and Questioned Costs –June 30, 2008

<u>Finding No.</u>		<u>Page</u>	<u>Questioned Costs</u>
<u>Section II - Federal and Pennsylvania Department of Public Welfare</u> <u>Findings and Questioned Costs:</u>			
08-01.	Subrecipient Monitoring Special Education Grants to States – CFDA #84.027	3	\$539,358
08-02.	Period of Availability Reading First State Grants – CFDA #84.357 Improving Teacher Quality State Grants – CFDA #84.367	6	\$121,631 \$124,498
08-03.	Cash Management Title I Grants to Local Educational Agencies – CFDA #84.010 Reading First State Grants – CFDA #84.357	8	\$126,981 \$94,213
08-04.	Special Tests and Provisions Title I Grants to Local Educational Agencies – CFDA #84.010	9	
08-05.	Allowable Costs/Cost Principles Career and Technical Education – Basic Grants to States – CFDA #84.048	10	
08-06.	Eligibility Child and Adult Care Food Program – CFDA #10.558	11	

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-01. SUBRECIPIENT MONITORING

Condition

The School District did not obtain a required audit report for one of its subrecipients representing \$539,358 in funding relating to the Special Education Grants to States program (CFDA #84.027). Funding for this program is provided through the Pennsylvania Department of Education. In addition, of the 31 subrecipient audit reports received by the School District, 14 were not reviewed within six months of receipt of the reports. Timely reviews are necessary in order to comply with the requirement that management decisions be issued on any findings or questioned costs within six months of receiving the audit report. The fiscal year 2008 federal funding related to untimely reviews of subrecipient audit reports totaled \$13.8 million. (See Schedule 1)

Criteria

Office of Management and Budget (OMB) Circular A-133 requires that the School District:

- Ensure that subrecipients expending \$500,000 or more in federal awards have met the audit requirements of OMB Circular A-133.
- Receive audit reports from subrecipients within the earlier of 30 days after the subrecipient's receipt of the audit report or nine months after the end of the audit period, unless a longer period is agreed to in advance.
- Take appropriate action using sanctions in cases of a subrecipient's continued inability or unwillingness to submit an audit in accordance with OMB Circular A-133.
- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipients take appropriate and timely corrective action.

Cause

The School District did not devote the personnel resources needed to properly monitor subrecipient audit reports.

Effect

Failure to obtain and review required audit reports timely provides the School District with inadequate assurance that subrecipients expended federal funds in compliance with laws, regulations, and the provisions of contracts or grant agreements. We consider the \$539,358 relating to the unreceived subrecipient audit report to be a questioned cost.

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-01. SUBRECIPIENT MONITORING

Recommendation

We recommend that the School District allocate the personnel resources necessary to obtain and timely review subrecipient audit reports.

Grantee's Response

In regard to the unreceived subrecipient audit report, the School District of Philadelphia has contacted the company requesting a copy of their Audited Financial Statements and A-133 Single Audit Report for Fiscal Year 2008. The company replied, stating that their 2007-2008 financial statements will be audited. The audit will include a single audit if they meet the requirements of the Federal Single Audit Act. When the audit is complete the company will forward the 2008 Financial Statements and Single Audit Report.

The School District of Philadelphia requires and monitors subrecipients concerning their production of required A-133 Single Audit Reports. If a subrecipient did not provide an A-133 Audit Report or did not comply with the requirements of the contract, the School District would, if circumstances warrant, refer the matter to the School District's Office of General Counsel for resolution. Standard School District contract forms, e.g., the Agreement for Services, contain grant, audit, compliance with law and default clauses that give the School District sufficient claims and remedies in the event a subrecipient failed to produce and deliver a required Single Audit. If the circumstances warrant, the School District would invoke and pursue these rights and remedies.

In regard to subrecipient monitoring generally, the School District has commenced an internal review to improve our processes for subrecipient oversight.

SCHOOL DISTRICT OF PHILADELPHIA**Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008**

Schedule I

**SCHEDULE OF FISCAL 2008 FUNDING FOR AUDIT REPORTS NOT
REVIEWED WITHIN SIX MONTHS AFTER RECEIPT**

CFDA #	PROGRAM NAME	TOTAL
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$275,305
17.261	WIA Pilots Demonstration, and Research Projects	\$566,844
84.010	Title I Grants to Local Educational Agencies	\$212,638
84.027	Special Education – Grants to States	\$4,963,591
84.048	Career and Technical Education – Basic Grants to States	\$450,000
84.186	Safe and Drug-Free Schools and Communities – State Grants	\$64,526
84.215	Fund for the Improvement of Education	\$12,000
84.318	Education Technology State Grants	\$470,827
93.558	Temporary Assistance for Needy Families	\$3,648,566
93.600	Head Start	\$2,998,615
93.667	Social Services Block Grant	\$101,748
TOTAL		\$13,764,660

08-02. PERIOD OF AVAILABILITY

Reading First State Grants – CFDA #84.357

Improving Teacher Quality State Grants – CFDA #84.367

<u>Condition</u>	The School District liquidated grant funds totaling \$246,129 beyond the allowed deadlines and without prior approval of the grantor agency for the Reading First State Grants (Reading First) and Improving Teacher Quality State Grants (Improving Teacher Quality). Funding for these programs is received through the Pennsylvania Department of Education.
<u>Criteria</u>	34 CFR 80.23, titled Period of Availability of Funds, specifies that a grantee may charge to the award only costs resulting from obligations of the funding period. A grantee must liquidate all obligations not later than 90 days after the end of the funding period. The Federal agency may extend this deadline at the request of the grantee.
<u>Cause</u>	<p>The School District does not have policies and procedures in place to ensure that:</p> <ul style="list-style-type: none">• Program funds were liquidated within the required periods.• Approved extension requests were received prior to carrying unspent funds into subsequent budgetary periods.
<u>Effect</u>	<p>Expenditures of \$246,129, in the Schedule of Expenditures of Federal Awards, were not made within the authorized time periods. We consider this amount to be questioned costs as follows:</p> <ul style="list-style-type: none">• Reading First - \$121,631• Improving Teacher Quality - \$124,498
<u>Recommendation</u>	The School District should continue its efforts to comply with the Period of Availability requirement by establishing and implementing policies and procedures to ensure that all grant funds are liquidated prior to the deadlines imposed by the grantor agency, and that funds are not carried over and disbursed during subsequent budgetary periods without grantor approval.

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-02. PERIOD OF AVAILABILITY

Reading First State Grants – CFDA #84.357

Improving Teacher Quality State Grants – CFDA #84.367

Grantee's Response

The School District agrees with the City Controller's finding that \$246,129 worth of encumbrances were liquidated, as indicated, after the end of the respective grant periods. The School District has made a concerted effort to ensure that all encumbrances are either liquidated or cancelled prior to the end of a grant's period of availability. The success of this effort is indicated by the fact that the amount in this category has been reduced substantially from the Fiscal Year 2006 Federal Single Audit. The School District will continue to work to ensure that no dollars fall in to this category going forward.

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-03. CASH MANAGEMENT

**Title I Grants to Local Educational Agencies – CFDA #84.010
Reading First State Grants – CFDA #84.357**

<u>Condition</u>	The School District did not remit \$221,194 in interest earned on advances received for the Title I Grants to Local Educational Agencies (Title I) and Reading First State Grants (Reading First) to the grantor agency. Funding for these grants is received through the Pennsylvania Department of Education (PDE).
<u>Criteria</u>	34 CFR 80.21(i) requires that grantees and subgrantees promptly, but at least quarterly, remit interest earned on advances to the grantor agency. The grantee or subgrantee may keep up to \$100 in interest per year for administrative expenses.
<u>Cause</u>	Interest on advanced funds was not returned for the above grants because in the past, the School District had received waivers for this requirement from PDE. However, late in fiscal year 2009, the District was notified by PDE that the Commonwealth does not have the authority to waive the return of interest for federal grants.
<u>Effect</u>	<p>The School District earned and improperly retained interest on cash balances during fiscal 2008 as follows:</p> <ul style="list-style-type: none">• Title I - \$ 126,981• Reading First - \$ 94,213
<u>Recommendation</u>	School District management should ensure that grant coordinators calculate interest earned on cash balances and remit the interest to the grantor agency at least quarterly in accordance with federal regulations.
<u>Grantee's Response</u>	The School District was notified in 2009 that the Commonwealth did not actually have the authority to waive the return of interest earned for federal grants. Up until this time, the School District had sometimes requested repayment waivers from the Commonwealth, some of which were granted, and some not for which repayment was made. In other instances, the School District was waiting on a response from the Grantor regarding the Single Audit findings before taking action. The School District is in the process of implementing the audit recommendations and is awaiting resolution by the grantor.

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-04. SPECIAL TESTS AND PROVISIONS

Title I Grants to Local Educational Agencies – CFDA # 84.010

<u>Condition</u>	For the past several years, we have reported that the School District was unable to furnish records documenting that services provided under the system-wide Title I Grants to Local Educational Agencies (Title I) program were substantially comparable between each school. During fiscal 2008, the Pennsylvania Department of Education (PDE) determined that 16 high schools, 5 middle schools and 20 elementary schools were not in compliance with the comparability requirement using the “Student/Instructional Staff Ratios on a Grade – Span” basis. Funding for the Title I program is received through the PDE.
<u>Criteria</u>	The Office of Management and Budget Circular A-133 <u>Compliance Supplement</u> , <i>Education Cross-Cutting Section, Comparability</i> indicates that if all schools in a district are served by Title I, Part A, the local education agency (LEA) must use state and local funds to provide services that, taken as a whole, are substantially comparable in each school. The LEA must develop procedures for complying with the comparability requirements and implement the procedures annually. Further, the LEA receiving Title I funds must maintain records that are updated biennially, documenting compliance with comparability requirements.
<u>Cause</u>	The School District’s method of providing services under the system - wide Title I program was not sufficient to ensure that services were substantially comparable between each school.
<u>Effect</u>	Services provided for all District schools under the system-wide Title I Grants were not substantially comparable between each school.
<u>Recommendation</u>	In accordance with federal comparability regulations, the School District should implement procedures to ensure that services provided under the system-wide Title I program are substantially comparable between schools.
<u>Grantee’s Response</u>	The School District has agreed with the Pennsylvania Department of Education that the recommendation as stated above will be implemented for the 2009 – 2010 school year and that the District will provide by December 1, 2009 an analysis demonstrating compliance with the State’s recommendations.

SCHOOL DISTRICT OF PHILADELPHIA

Federal and PA. Department of Public Welfare Findings and Questioned Costs – June 30, 2008

08-05. ALLOWABLE COSTS/COST PRINCIPLES

Career and Technical Education - Basic Grants to States – CFDA # 84.048

<u>Condition</u>	The School District did not maintain periodic certifications that employees funded with Career and Technical Education (CTE) funds worked solely on the program during fiscal year 2008. Funding for the CTE program is received through the Pennsylvania Department of Education.
<u>Criteria</u>	The Office of Management and Budget Circular A-87 <u>Cost Principles for State, Local and Indian Tribal Governments</u> , Attachment B, 8(h)(3) requires that when employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certifications. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
<u>Cause</u>	A School District CTE program official informed us that he was unaware of this requirement in fiscal year 2008. He indicated that in accordance with the Federal regulations, certifications have been prepared and maintained beginning in fiscal year 2009. Certifications for fiscal year 2008 were prepared after-the-fact when we requested them during the audit.
<u>Effect</u>	Failure to obtain employee certifications when required increases the risk that ineligible costs will be charged to the program. However, since our unannounced visits to schools verified that all of the 13 sample employees were performing program related duties, no costs will be questioned.
<u>Recommendation</u>	School District officials should monitor program offices to ensure that they comply with Federal regulations by preparing required certifications at least semi-annually.
<u>Grantee's Response</u>	Going forward, the Executive Director of Career and Technical Education (CTE), Dr. Larry Aniloff, will closely monitor the CTE Office's compliance with all Federal regulations and the preparation of all required certifications in a prompt and timely manner.

08-06. ELIGIBILITY

Child and Adult Care Food Program – CFDA #10.558

<u>Condition</u>	At five School District early learning centers tested, 8 children were not redetermined for eligibility within the allotted time period. Funding for the Child and Adult Care Food Program is received through the Pennsylvania Department of Education.
<u>Criteria</u>	7 CFR, Ch. 11, Subpart E, Part 226.23, requires that the School District complete a redetermination of eligibility every 12 months.
<u>Cause</u>	One early learning center did not follow established procedures designed to ensure that redeterminations of eligibility are performed timely and accurately.
<u>Effect</u>	Failure to redetermine eligibility in a timely manner increases the risk that services could be provided to ineligible children. After we brought the eight cases to management's attention, School District staff properly prepared and we reviewed the eligibility redeterminations for each child without exception. Consequently, there are no questioned costs.
<u>Recommendation</u>	The School District should reinforce Child and Adult Care Food Program requirements related to eligibility redeterminations with early learning center managers.
<u>Grantee's Response</u>	Central administrative and itinerant field-based personnel responsible for the pre-k nutrition services area reviewed CACFP eligibility redetermination requirements with early learning center leaders during staff development sessions prior to the start of the 2008/09 school year. A follow-up review of student records from the one center not entirely complying with established procedures during 2007/08 found that 100% of the children who were in their second year of program participation had been properly re-determined in early October 2008. It should also be noted that no deficiencies related to eligibility redetermination were identified by PDE nutrition field service representatives during the District's most recent on-site CACFP monitoring visit (conducted September 2009).

Section V.

Summary Schedule of

Prior Audit Findings

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2007 - 05: IMPROVING TEACHER QUALITY STATE GRANTS

CFDA # 84.367

Status: **Unresolved**

Questioned Costs: \$5,437,055

Resolution Agency: PA Department of Education

Condition:

The School District used \$5,437,055 in Improving Teacher Quality State Grants (ITQ) funds to pay for school counselors' salaries and fringe benefits which are not allowable costs under the grant. Because the School District was in corrective action status, its use of federal cross cutting guidelines to transfer these costs to another grant where they would be allowable was invalid. Finally, because the District used its general fund to pay for the counselors' salaries and fringe benefits in the prior year, it supplanted its non-federal funds by charging the ITQ grant for these costs in 2007. Funding for the ITQ program is received through the Pennsylvania Department of Education.

2008 Update:

The School District is awaiting resolution by grantor.

2007 - 06: IMPROVING TEACHER QUALITY STATE GRANTS

CFDA # 84.367

Status: **Unresolved**

Questioned Costs: \$22,025

Resolution Agency: PA Department of Education

Condition:

The School District liquidated grant funds totaling \$22,025 beyond the allowed deadline and without prior approval of the grantor agency for the Improving Teacher Quality State Grants. Funding for the program is received through the Pennsylvania Department of Education. In the prior year, this condition was noted for four federal programs.

2008 Update:

The School District has implemented a number of budgetary and management procedures to guard against the liquidation of grant funds beyond grant periods without prior approval of grantor agencies. The District will re-emphasize those procedures and explore new avenues to guard against this finding being repeated in the future. The School District is awaiting resolution by grantor.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2007 - 07: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, SPECIAL EDUCATION GRANTS TO STATES, COMPREHENSIVE SCHOOL REFORM DEMONSTRATION, ENGLISH LANGUAGE ACQUISITION GRANTS, IMPROVING TEACHER QUALITY STATE GRANTS

CFDA # Various Status: **Unresolved** Questioned Costs: \$1,009,978

Resolution Agency: PA Department of Education

Condition:

The School District did not remit \$1,009,978 in interest earned on advances received for the above grants to the grantor agency. Funding for these grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District is in the process of implementing the audit recommendations and is awaiting resolution by grantor.

2007 - 08: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

CFDA # 84.010 Status: **Unresolved** Questioned Costs: \$0

Resolution Agency: PA Department of Education

Condition:

The School District was unable to furnish records documenting that services provided under the system-wide Title I Grants to Local Educational Agencies (Title I) program were substantially comparable between each school. Funding for the Title I program is received through the Pennsylvania Department of Education.

2008 Update:

The School District has an agreed calculation methodology with the PA Department of Education to be implemented for fiscal year 2010.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

**2007 - 09: CHILD CARE AND DEVELOPMENT BLOCK GRANT, SOCIAL SERVICES BLOCK GRANT,
PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE**

CFDA # 93.575, # 93.667

Status: **Unresolved**

Questioned Costs: \$61,190

Resolution Agency: PA Department of Public Welfare

Condition:

At five School District day care centers tested, 17 children were not re-determined for eligibility within the allotted time period, 7 children were not assessed the correct co-payment and the parents of 14 children did not receive written notices notifying them of delinquent co-payments. Funding for the Comprehensive Day Care Program is received through the Pennsylvania Department of Public Welfare.

2008 Update:

The School District provides Center Leaders with regular training that reinforces program eligibility determination requirements and co-payment assessments. The School District has implemented a corrective action plan that includes an automated system to identify delinquent fee payers and generate collection notices. Our compliance procedures now include a fee collection specialist who makes site visits to verify that fee collection procedures are being followed.

**2007 - 10: STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL
NUTRITION ASSISTANCE PROGRAM, TITLE I GRANTS TO LOCAL
EDUCATIONAL AGENCIES, SPECIAL EDUCATION-GRANTS TO STATES,
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES, STATE
GRANTS FOR INNOVATIVE PROGRAMS, EDUCATION TECHNOLOGY STATE
GRANTS, READING FIRST STATE GRANTS, ENGLISH LANGUAGE ACQUISITION
GRANTS, IMPROVING TEACHER QUALITY STATE GRANTS**

CFDA # Various

Status: **Unresolved**

Questioned Costs: \$260,000

Resolution Agency: PA Department of Education

Condition:

The School District billed federal grantors \$1,200,158 in current and prior year audit costs that were obligated but never paid. Funding for most School District grants is received through the Pennsylvania Department of Education.

2008 Update:

On October 16, 2009, the School District forwarded payment of \$1,200,158 for audit costs to the City of Philadelphia.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2006 – 05: SPECIAL EDUCATION GRANTS TO STATES, COMPREHENSIVE SCHOOL REFORM DEMONSTRATION, ENGLISH LANGUAGE ACQUISITION GRANTS, IMPROVING TEACHER QUALITY STATE GRANTS

CFDA # Various Status: **Unresolved** Questioned Costs: \$544,649
Resolution Agency: PA Department of Education
Condition:

The School District liquidated grant funds totaling \$544,649 beyond allowed deadlines and without prior approval of the grantor agency for the Special Education Grants to States (Special Education), Comprehensive School Reform Demonstration (CSRD), English Language Acquisition Grants and Improving Teacher Quality State Grants (Improving Teacher Quality). Funding for these grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District has implemented a number of budgetary and management procedures to guard against the liquidation of grant funds beyond grant periods without prior approval of grantor agencies. The District will re-emphasize those procedures and explore new avenues to guard against this finding being repeated in the future. The School District is awaiting resolution by grantor.

2006 – 06: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, COMPREHENSIVE SCHOOL REFORM DEMONSTRATION, ENGLISH LANGUAGE ACQUISITION GRANTS

CFDA # Various Status: **Unresolved** Questioned Costs: \$300,768
Resolution Agency: PA Department of Education
Condition:

The School District did not remit \$300,768 in interest earned on advances received for the Title I Grants to Local Educational Agencies (Title I), Comprehensive School Reform Demonstration and English Language Acquisition Grants to the grantor agency. Funding for these grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District is in the process of implementing the audit recommendations and is awaiting resolution by grantor.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2006 – 07: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

CFDA # 84.010

Status: **Unresolved**

Questioned Costs: \$0

Resolution Agency: PA Department of Education

Condition:

The School District was unable to furnish records documenting that services provided under the system-wide Title I Grants to Local Educational Agencies (Title I) program were substantially comparable between each school. Funding for the Title I program is received through the Pennsylvania Department of Education.

2008 Update:

The School District has an agreed calculation methodology with the PA Department of Education to be implemented for fiscal year 2010.

2005 – 05: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, SPECIAL EDUCATION GRANTS TO STATES, COMPREHENSIVE SCHOOL REFORM DEMONSTRATION, GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS (GEAR UP), TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

CFDA # Various

Status: **Resolved**

Questioned Costs: \$0

Resolution Agency: U.S. Department of Education, PA Department of Education

Condition:

The School District's procurement policies and procedures do not ensure that the awarding of contracts for purchased services comply with federal regulations. For 15 of 17 non-bid procurement contracts selected for testing, the School District could not provide documentation to support the rationale for the method of contractor selection. Funding for the listed programs is received through the U.S. Department of Education and Pennsylvania Department of Education.

2008 Update:

For GEAR UP, the finding has been resolved in a letter from the U.S. Department of Education dated July 31, 2007. For the remaining grants, findings do not warrant further action in accordance with provisions of section .315(b) (4) of OMB Circular A-133.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

**2005 – 07: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, SPECIAL
EDUCATION GRANTS TO STATES, COMPREHENSIVE SCHOOL REFORM
DEMONSTRATION**

CFDA # Various Status: **Unresolved** Questioned Costs: \$466,287

Resolution Agency: PA Department of Education

Condition:

The School District liquidated grant funds totaling \$466,287 beyond allowed deadlines and without prior approval of the grantor agency for the Title I Grants to Local Educational Agencies (Title I), Special Education Grants to States (Special Education) and Comprehensive School Reform Demonstration (CSRD). Funding for these grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District has implemented a number of budgetary and management procedures to guard against the liquidation of grant funds beyond grant periods without prior approval of grantor agencies. The District will re-emphasize those procedures and explore new avenues to guard against this finding being repeated in the future. The School District is awaiting resolution by grantor.

2005 – 08: COMPREHENSIVE SCHOOL REFORM DEMONSTRATION

CFDA # 84.332 Status: **Resolved** Questioned Costs: \$33,329

Resolution Agency: PA Department of Education

Condition:

At one school we visited, the School District could not locate 23 (37 percent) of the 63 computers purchased through the Comprehensive School Reform Demonstration (CSRD) program. Subsequent documentation provided by the School District revealed that the computers had been stolen. At two other locations we visited, we were able to locate all computers purchased through the program. Funding for the CSRD program is received through the Pennsylvania Department of Education.

2008 Update:

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2005 – 11: READING FIRST STATE GRANTS

CFDA # 84.357

Status: Unresolved

Questioned Costs: \$87,384

Resolution Agency: PA Department of Education

Condition:

The School District did not remit \$87,384 in interest earned on advances received for Reading First State Grants to the grantor agency. Funding for Reading First State Grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District is in the process of implementing the audit recommendations and is awaiting resolution by grantor.

**2005 – 12: CHILD CARE AND DEVELOPMENT BLOCK GRANT, SOCIAL SERVICES
BLOCK GRANT, PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE**

CFDA # 93.575, # 93.667

Status: Unresolved

Questioned Costs: \$14,263

Resolution Agency: PA Department of Public Welfare

Condition:

The School District overstated costs on the June 2005 Day Care Service Utilization Report for its Comprehensive Day Care Program by \$14,263. Funding for the program is received through the Pennsylvania Department of Public Welfare.

2008 Update:

Suggestions made by the Pennsylvania State Subsidy Coordinator are being implemented. Yearly training for center leaders has become a program staple. Our compliance procedures now include a fee collection specialist who makes site visits to verify that fee collection procedures are being followed. The School District is awaiting resolution by grantor.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2004 – 04: GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS, READING FIRST STATE GRANTS

CFDA # 84.334, # 84.357 Status: **Unresolved** Questioned Costs: \$0

Resolution Agency: U.S. Department of Education, PA Department of Education

Condition:

The School District liquidated grant funds beyond allowed deadlines and without prior approval of grantor agencies for the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), funded through the U.S. Department of Education, and the Reading First State Grants (Reading First) program, funded through the Pennsylvania Department of Education.

2008 Update:

For GEAR UP, the finding has been resolved in a letter from the U.S. Department of Education dated July 31, 2007. For Reading First, the School District is in the process of completing the implementation of the audit recommendations and is awaiting resolution by grantor.

2004 – 06: READING FIRST STATE GRANTS

CFDA # 84.357 Status: **Unresolved** Questioned Costs: \$75,290

Resolution Agency: PA Department of Education

Condition:

The School District did not remit interest earned on advances received for Reading First State Grants to the grantor agency. Funding for Reading First State Grants is received through the Pennsylvania Department of Education.

2008 Update:

The School District is in the process of implementing the audit recommendations and is awaiting resolution by grantor.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2004 – 07: CHILD CARE AND DEVELOPMENT BLOCK GRANT, CHILD CARE MANDATORY AND MATCHING FUNDS OF THE CHILD CARE AND DEVELOPMENT FUND, SOCIAL SERVICES BLOCK GRANT

CFDA # Various

Status: **Unresolved**

Questioned Costs: \$48,935

Resolution Agency: PA Department of Public Welfare

Condition:

Three of five School District day care centers tested received subsidies for eight children whose eligibility lapsed because required co-payments were delinquent. A similar condition was noted in our Fiscal 2003 Single Audit Report. In addition, at two of the five centers, subsidies were received for five children who were ineligible because a support order wasn't documented. Funding for the Comprehensive Day Care Program is received through the Pennsylvania Department of Public Welfare.

2008 Update:

The School District has implemented audit recommendations and is awaiting resolution by grantor.

2003 – 03: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

CFDA # 84.010

Status: **Unresolved**

Questioned Costs: \$0

Resolution Agency: PA Department of Education

Condition:

The School District was unable to furnish records documenting that services provided under the system – wide Title I program were substantially comparable between each school. This condition was noted in our Fiscal 2001 and 2002 Single Audit Reports. Funding for the Title I Program is received through the Pennsylvania Department of Education.

2008 Update:

The School District has an agreed calculation methodology with the PA Department of Education to be implemented for fiscal year 2010.

**SCHOOL DISTRICT OF PHILADELPHIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2008**

2003 – 09: GRANTS FOR SCHOOL REPAIR AND RENOVATION

CFDA # 84.352

Status: **Unresolved**

Questioned Costs: \$12,768

Resolution Agency: PA Department of Education

Condition:

The School District did not remit interest earned on advances received for Grants for School Repair and Renovation to the grantor agency. Funding for Grants for School Repair and Renovation is received through the Pennsylvania Department of Education.

2008 Update:

The School District has remitted payment to the U.S. Department of Education in the amount of \$12,768.09 on August 11, 2009.

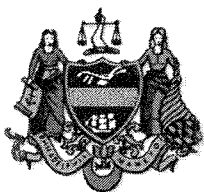
Section VI.

Corrective Action Plan

The Corrective Action Plan can be found in the ‘Grantee’s Response’ section of each audit finding. The contact person for questions related to the Plan is William Higgins, Principal Financial Analyst. (Phone: (215) 400-5467).

Section VII.

Pa. Department of Public Welfare Supplementary Schedule



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

To the Commonwealth of Pennsylvania,
Department of Public Welfare

We have performed the procedures enumerated below, which were agreed to by the School District of Philadelphia, Pennsylvania and the Commonwealth of Pennsylvania, Department of Public Welfare (DPW) solely to assist you in evaluating the financial schedule required by the DPW Single Audit Supplement for the year ended June 30, 2008. Management of the School District of Philadelphia is responsible for the preparation of the financial schedule. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- (a) We have compared the amounts and classifications on the 'Schedule of Contractual Service Activity – Subsidized Child Care' (Exhibit VIII(a)) which summarizes amounts reported to the DPW for fiscal year ended June 30, 2008 to the corresponding amounts in the books and records of the School District of Philadelphia, Pennsylvania used to prepare the financial statements audited by us. We also compared the example schedule in the DPW Single Audit Supplement to the 'Schedule of Contractual Service Activity – Subsidized Child Care' to determine that it is presented, at a minimum, at the level of detail and in the format required by the DPW Single Audit Supplement pertaining to this period.

C I T Y O F P H I L A D E L P H I A
O F F I C E O F T H E C O N T R O L L E R

- (b) We have inquired of management as to whether there were any adjustments to reported revenues or expenditures which were not reflected on reports submitted to the DPW for the period in question.

The procedures detailed in the two preceding paragraphs, (a) and (b) above, disclosed no adjustments or findings which have not been reflected on the corresponding 'Schedule of Contractual Service Activity – Subsidized Child Care.'

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying financial schedule required by the DPW Single Audit Supplement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the School District of Philadelphia, Pennsylvania, the School Reform Commission, and the DPW and is not intended to be and should not be used by anyone other than these specified parties.



October 8, 2009

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

EXHIBIT VIII (a)

School District of Philadelphia
Comprehensive Day Care Program
Schedule of Contractual Service Activity - Subsidized Child Care
For the Twelve Month Period Ended June 30, 2008
Contract No. DC 05-40000411330

<u>TYPE OF SERVICE</u>	<u>Enrolled Service Days</u>	<u>Average Daily Rate Per Child</u>	<u>Actual Costs * Rounded By Type of Service</u>
CENTER-BASED DAY CARE			
Infant (Full Day)	0	\$ 0.00	\$ 0.00
Infant (Part Day)	0	0.00	0.00
Toddler Young(Full Day)	0	0.00	0.00
Toddler Old(Full Day)	0	0.00	0.00
Toddler(Part Day)	0	0.00	0.00
Preschool(Full Day)July 2007	5,472	30.00	164,160.00
Preschool(Full Day)	10,325	33.00	340,725.00
Preschool(Part Day)	53,085	26.00	1,380,210.00
School-Age Young(Full Day)	0	0.00	0.00
School-Age Old(Full Day)	0	0.00	0.00
School-Age Young(Part Day)	0	0.00	0.00
School-Age Old(Part Day)	0	0.00	0.00
Special Needs(Full Day)	0	0.00	0.00
Special Needs(Part Day)	0	0.00	0.00
Adjustment for excess enrollment			0.00
GROUP HOME CARE	0	0.00	0.00
FAMILY DAY CARE	0	0.00	0.00
UNREGULATED DAY CARE	<u>0</u>	0.00	<u>0.00</u>
TOTAL SERVICE DAYS AND COSTS	<u>68,882</u>		\$1,885,095.00

REVENUES

Parent/Caretaker Fees	216,033.00
Department of Public Welfare (Note 1)	1,669,062.00
Interest	0.00
Other	<u>0.00</u>
Total Revenue	<u>1,885,095.00</u>

Excess Revenue Over (Under) Expenditures	<u>\$ 0.00</u>
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* The costs reported in this column are the product of multiplying the Enrolled Service Days with the Contracted Daily Rate.

Note 1: Expenditures attributable to the PA Department of Public Welfare total \$1,669,062. Of this amount \$877,105 was provided by the Child Care and Development Block Grant (CFDA: 93.575), \$291,957 was provided by the Social Services Block Grant (CFDA: 93.667) with the balance of \$500,000 provided by the PA Department of Public Welfare. Cash received totaled \$1,824,733. The \$155,671 difference was returned on August 28, 2008 to the PA Department of Public Welfare.