

# CITY OF PHILADELPHIA PENNSYLVANIA

OFFICE OF THE CONTROLLER

*Promoting honest, efficient, and fully accountable government*

**PHILADELPHIA INTERMEDIATE  
UNIT NO. 26**

**AUDITOR'S REPORT**

**FISCAL 2010**



City Controller  
**ALAN BUTKOVITZ**



# 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

GERALD V. MICCIULLA  
Deputy City Controller

March 6, 2012

Pedro A. Ramos, Esq., Chair  
and Members of the School Reform Commission  
440 N. Broad Street  
Philadelphia, PA 19130

We audited the Philadelphia Intermediate Unit No. 26's Transportation Fiscal Report and Final Expenditure Report Special Education Core Programs (PDE Forms) for fiscal 2010 pursuant to the requirements of the Department of Education of the Commonwealth of Pennsylvania. Our audits determined that the above noted PDE Forms presented fairly, in all material respects, the financial activity of the Philadelphia Intermediate Unit No. 26 required to be included on those PDE Forms, for the period ended June 30, 2010 in conformity with accounting practices prescribed or permitted by the Department of Education of the Commonwealth of Pennsylvania.

In planning and performing our audits, we considered the Philadelphia Intermediate Unit No. 26's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the PDE Forms and not to provide assurance on the internal control over financial reporting. However, we noted certain matters that represent deficiencies in internal control over financial reporting that should be addressed by management. These deficiencies are discussed in detail in the findings and recommendations section of the report.

We discussed our findings and recommendations with School District of Philadelphia personnel during the course of our audit. The District's written response, submitted in lieu of a formal exit conference, has been included as part of our report. We are confident that our recommendations, if implemented by management, will strengthen internal control and enhance the financial reporting of the Philadelphia Intermediate Unit No. 26.

We would like to express our thanks to the management and staff of the School District of Philadelphia for the courtesy and cooperation displayed toward us during the conduct of our work.

Respectfully submitted,

  
ALAN BUTKOVITZ  
City Controller

cc: Thomas E. Knudsen, Chief Recovery Officer and  
Acting Superintendent  
Marcy F. Blender, CPA, Comptroller

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ALAN BUTKOVITZ  
City Controller

GERALD V. MICCIULLA  
Deputy City Controller

## **Independent Auditor's Report On Philadelphia Intermediate Unit No. 26 Form PDE-2099 Transportation Fiscal Report**

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

We have audited the accompanying Form PDE-2099 - Intermediate Unit Transportation Fiscal Report (Form PDE-2099) - of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2010. Form PDE-2099 is the responsibility of the Philadelphia Intermediate Unit's management. Our responsibility is to express an opinion on this form based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Form PDE-2099 is free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in Form PDE-2099. Our audit also included assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of Form PDE-2099. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Form PDE-2099 was prepared in conformity with accounting practices prescribed or permitted by the Department of Education of the Commonwealth of Pennsylvania which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

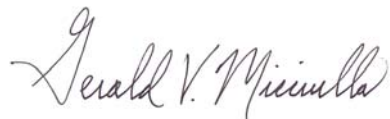
In our opinion, Form PDE-2099, referred to above, presents fairly, in all material respects, the financial activity of the Transportation Accounts of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2010, in conformity with the basis of accounting described in Note 1.

CITY OF PHILADELPHIA  
OFFICE OF THE CONTROLLER

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011 on our consideration of the Philadelphia Intermediate Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit No. 26 and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

October 13, 2011



GERALD V. MICCIULLA, CPA  
Deputy City Controller

**Intermediate Unit Transportation Fiscal Report  
Fiscal Year 2009-2010**

PDE-2099 (6/10)

Page 1 of 2

Intermediate Unit Name  
AUN  
Philadelphia IU #26  
1-26-00-000-0

Contact Person  
Charles Lowitz  
Telephone Number  
215-400-5305 x

| Exp. Object | Object Description                                     | Amount                 |
|-------------|--|------------------------|
| <b>100</b>  | <b>PERSONNEL SERVICES - SALARIES</b>                   |                        |
| 110         | Official / Administrative                              | \$0.00                 |
| 130         | Professional - Other                                   | \$0.00                 |
| 140         | Technical  | \$0.00                 |
| 150         | Office / Clerical                                      | \$0.00                 |
| 160         | Crafts & Trades  | \$0.00                 |
| 170         | Operative  | \$0.00                 |
| 180         | Service Work and Laborer                               | \$0.00                 |
| <b>200</b>  | <b>PERSONNEL SERVICES - EMPLOYEE BENEFITS</b>          |                        |
| 210         | Group Insurance  | \$0.00                 |
| 220         | Social Security Contributions                          | \$0.00                 |
| 230         | Retirement Contributions                               | \$0.00                 |
| 240         | Tuition Reimbursement                                  | \$0.00                 |
| 250         | Unemployment Compensation                              | \$0.00                 |
| 260         | Workers' Compensation                                  | \$0.00                 |
| 270         | Health Benefits from Self-Insurance                    | \$0.00                 |
| 290         | Other Employee Benefits                                | \$0.00                 |
| <b>300</b>  | <b>PURCHASED PROFESSIONAL &amp; TECHNICAL SERVICES</b> |                        |
| 310         | Official / Administrative Services                     | \$0.00                 |
| 330         | Other Professional Services                            | \$0.00                 |
| 340         | Technical Services                                     | \$0.00                 |
| 390         | Other Purchased Prof. & Tech. Services                 | \$0.00                 |
| <b>400</b>  | <b>PURCHASED PROPERTY SERVICES</b>                     |                        |
| 430         | Repair & Maintenance Services                          | \$0.00                 |
| 441         | Rental of Land & Buildings                             | \$0.00                 |
| 442         | Rental of Equipment                                    | \$0.00                 |
| 444         | Rental of Vehicles                                     | \$0.00                 |
| 490         | Other Purchased Property Services                      | \$0.00                 |
| <b>500</b>  | <b>OTHER PURCHASED SERVICES</b>                        |                        |
| 511         | From an LEA Within the State                           | \$0.00                 |
| 512         | From an LEA Outside the State                          | \$0.00                 |
| 513         | Contracted Carriers                                    | \$50,215,153.47        |
| 514         | Board & Lodging in Lieu of Transp.                     | \$0.00                 |
| 515         | Public Carriers  | \$631,819.48           |
| 519         | From Other Sources                                     | \$0.00                 |
| 522         | Automotive Liability Insurance                         | \$0.00                 |
| 524         | Other Pupil Transportation Insurance                   | \$0.00                 |
| 529         | Other Insurance  | \$0.00                 |
| 530         | Communications   | \$0.00                 |
| 540         | Advertising  | \$0.00                 |
| 550         | Printing & Binding                                     | \$0.00                 |
| 580         | Travel   | \$0.00                 |
| 590         | Miscellaneous Purchased Services                       | \$0.00                 |
| <b>600</b>  | <b>SUPPLIES</b>  |                        |
| 610         | General Supplies                                       | \$0.00                 |
| 620         | Energy   | \$0.00                 |
| 640         | Books & Periodicals                                    | \$0.00                 |
| <b>800</b>  | <b>OTHER OBJECTS</b>                                   |                        |
| 810         | Dues & Fees  | \$0.00                 |
|             | <b>Subtotal, Objects 100-800</b>                       | <b>\$50,846,972.95</b> |
| <b>900</b>  | <b>OTHER USES</b>                                      |                        |
| 934         | Restricted Indirect Cost Allocation                    | \$0.00                 |
|             | <b>Total Expenditures</b>                              | <b>\$50,846,972.95</b> |

The accompanying notes to Form PDE-2099 are an integral part of this form.

Revenues and Expenditures for Fiscal Year 2009-2010

Intermediate Unit Name  
Philadelphia IU #26

Contact Person E-mail Address  
clowitz@philasd.org

Fund Balance on July 1, 2009 (1) \$2,146,903.87

|  |                 |
|--|-----------------|
| 6500 Earnings on Investments                         | \$27,911.03     |
| 6900 Other Local Revenue                             | \$0.00          |
| 7310 Transportation Revenue Received from State      | \$47,845,096.13 |
| 7810 State Share of Social Security & Medicare Taxes | \$0.00          |
| 7820 State Share of Retirement Contributions         | \$0.00          |

Total Revenues (2) \$47,873,007.16

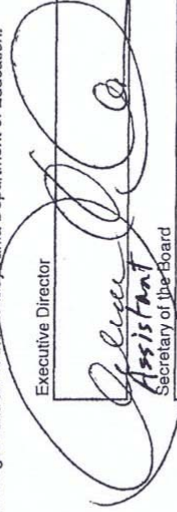
Subtotal: Fund Balance on July 1, 2009 plus Total Revenues (1 + 2) (3) \$50,019,911.03

Less: Total Expenditures (4) \$50,846,972.95

Fund Balance on June 30, 2010 (3 - 4) -\$827,061.92

BUDGET RESOLUTION: Resolved, that the Board of School Directors of the Intermediate Unit hereby authorizes the expenditures as set forth herein for the school year 2009-2010 and certifies that such expenditures will be in accordance with the School Laws of Pennsylvania and budget controls of the Pennsylvania Department of Education.

Executive Director



Assistant Secretary of the Board



Due Date: September 15, 2010

Return To: Pennsylvania Department of Education  
Bureau of Budget and Fiscal Management  
Division of Subsidy Data and Administration  
333 Market Street, 4th Floor  
Harrisburg, PA 17126-0333

**Philadelphia Intermediate Unit No. 26**  
**Notes to Form PDE-2099**  
**Fiscal Year Ended June 30, 2010**

1. PURPOSE OF FORM PDE-2099

Form PDE-2099 has been prepared in conformity with accounting practices prescribed or permitted by the Department of Education of the Commonwealth of Pennsylvania. Under this method, expenditures are reported in the fiscal year they are incurred. Revenues include all payments received from the Commonwealth during the fiscal year, and, if applicable, any amounts received outside of the current fiscal year but directly attributable to it. The form reports certain financial activity of the Philadelphia Intermediate Unit No. 26 to the Department of Education of the Commonwealth of Pennsylvania in compliance with the Public School Code of 1949, Section 2509.1 as amended. This form presents only the revenues and expenditures and changes in fund balance associated with the transportation of exceptional children to and from school, the transportation of eligible young children to and from an early intervention program, and the transportation of exceptional children in accordance with programs and services specified in their Individualized Education Programs.





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ALAN BUTKOVITZ  
City Controller

GERALD V. MICCIULLA  
Deputy City Controller

## **Independent Auditor's Report On Philadelphia Intermediate Unit No. 26 Form PDE-2115 - Final Expenditure Report Special Education Programs IU Core**

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

We have audited the accompanying Form PDE-2115 - Final Expenditure Report Special Education Programs IU Core (Form PDE-2115) - of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2010. Form PDE-2115 is the responsibility of the Philadelphia Intermediate Unit's management. Our responsibility is to express an opinion on this form based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Form PDE-2115 is free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in Form PDE-2115. Our audit also included assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of Form PDE-2115. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Form PDE-2115 was prepared in conformity with accounting practices prescribed or permitted by the Department of Education of the Commonwealth of Pennsylvania which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, Form PDE-2115, referred to above, presents fairly, in all material respects, the financial activity of the Special Education Programs IU Core of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2010, in conformity with the basis of accounting described in Note 1.

CITY OF PHILADELPHIA  
OFFICE OF THE CONTROLLER

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2011 on our consideration of the Philadelphia Intermediate Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit No. 26 and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

October 13, 2011

GERALD V. MICCIULLA, CPA  
Deputy City Controller

**FINAL EXPENDITURE REPORT  
SPECIAL EDUCATION PROGRAMS**

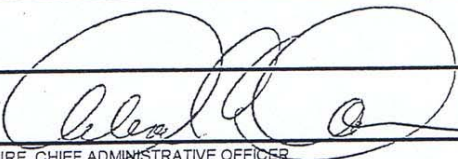
|  |   |
|--|---|
| LEA NAME AND ADDRESS<br><br>Philadelphia I.U. # 26<br>440 North Broad Street<br>Philadelphia, Pennsylvania 19130 | CHECK ONE:<br><input checked="" type="checkbox"/> IU CORE<br><input type="checkbox"/> INSTITUTIONALIZED |
| PHONE NUMBER: 215-400-5520   |   |

INSTRUCTIONS: SUBMIT AN ORIGINAL AND TWO COPIES.  
 REPORT IS DUE: OCTOBER 31 (extension February 28, 2011)

|                              |   |
|------------------------------|---|
| DATE SUBMITTED<br>02/02/2011 | OPERATING PERIOD<br>July 1, 2009 to June 30, 2010 |
|------------------------------|---|

| FUNCTION | SUMMARY   | AMOUNT         |
|----------|---|----------------|
| 6000     | - TOTAL LOCAL REVENUE (1)                         | 201,272,446.00 |
|          | - SOCIAL SECURITY (STATE SHARE)                   | 7,475,075.00   |
|          | - RETIREMENT (STATE SHARE)                        | 3,296,340.00   |
|          | - SPECIAL EDUCATION APPROPRIATION                 | 4,460,148.00   |
|          | - PRIOR YEAR ENCUMBRANCES                         | 2,376,751.00   |
| 7000     | - TOTAL AMOUNT RECEIVED FROM THE COMMONWEALTH     | 17,608,314.00  |
|          | - TOTAL AVAILABLE FOR INSTRUCTION                 | 218,880,760.00 |
|          | - TOTAL EXPENDITURES (2)                          | 217,987,925.00 |
|          | - ENCUMBERED FOR INSTRUCTION                      | 892,835.00     |
|          | - EXPENDITURES AND ENCUMBRANCES                   | 218,880,760.00 |
|          | - UNEXPENDED FUNDS (MUST BE RETURNED WITH REPORT) | 0.00           |

(1) PROVIDE SPECIFICALLY DETAILED SUPPORTING SCHEDULES  
 (2) INCLUDE ALL PRIOR YEAR ENCUMBANCES ACTUALLY LIQUIDATED

|   |           |
|---|-----------|
|  | 2/07/2011 |
| SIGNATURE, CHIEF ADMINISTRATIVE OFFICER   | DATE      |

PDE RESERVES THE RIGHT, AT ANY LATER DATE, TO CONDUCT AN AUDIT OF EXPENDITURES CLAIMED  
 PDE-2115 (5-09)

| OBJECTS  | FUNCTIONS          |                  |      |                |      |                                 |               |      | TOTAL              |
|--|--------------------|------------------|------|----------------|------|---------------------------------|---------------|------|--------------------|
|  | 1200               | 2100             | 2200 | 2300           | 2400 | 2500                            | 2600          | 5200 |                    |
| <b>100 - PERSONNEL SERVICES - SALARIES</b>                   |                    |                  |      |                |      |                                 |               |      |                    |
| 110  |                    |                  |      |                |      | SPECIAL EDUCATION DIRECTOR ONLY |               |      |                    |
| 110  |                    |                  |      | 401,055        |      |                                 |               |      | 401,055            |
| 120  | 124,592,871        | 9,101,850        |      |                |      |                                 |               |      | 133,694,721        |
| 130  |                    |                  |      |                |      |                                 |               |      |                    |
| 140  |                    |                  |      |                |      |                                 |               |      |                    |
| 150  |                    |                  |      |                |      |                                 |               |      |                    |
| 160  |                    |                  |      |                |      |                                 |               |      |                    |
| 170  |                    |                  |      |                |      |                                 |               |      |                    |
| 180  |                    |                  |      |                |      |                                 | 39,504        |      | 39,504             |
| 190  |                    |                  |      |                |      |                                 |               |      |                    |
| <b>TOTAL</b>   | <b>124,592,871</b> | <b>9,101,850</b> |      | <b>401,055</b> |      |                                 | <b>39,504</b> |      | <b>134,135,280</b> |
| <b>200 - PERSONNEL SERVICES - EMPLOYEE BENEFITS</b>          |                    |                  |      |                |      |                                 |               |      |                    |
| 210  | 22,517,578         | 1,324,995        |      | 85,235         |      |                                 | 6,631         |      | 23,934,439         |
| 220  | 9,594,120          | 695,984          |      | 29,517         |      |                                 | 3,034         |      | 10,322,655         |
| 230  | 6,013,322          | 434,416          |      | 19,179         |      |                                 | 1,889         |      | 6,468,806          |
| 240  | 50,008             | 2,480            |      | 123            |      |                                 | 25            |      | 52,636             |
| 250  | 427,365            | 31,048           |      | 1,369          |      |                                 | 135           |      | 459,917            |
| 260  | 3,269,791          | 237,448          |      | 10,487         |      |                                 | 1,034         |      | 3,518,760          |
| 270  | -                  |                  |      |                |      |                                 |               |      | 0                  |
| 290  | 15,581,036         | 820,607          |      | 38,921         |      |                                 | 6,150         |      | 16,446,714         |
| <b>TOTAL</b>   | <b>57,453,220</b>  | <b>3,546,978</b> |      | <b>184,831</b> |      |                                 | <b>18,898</b> |      | <b>61,203,927</b>  |
| <b>300 - PURCHASED PROFESSIONAL &amp; TECHNICAL SERVICES</b> |                    |                  |      |                |      |                                 |               |      |                    |
| 310  |                    | -                |      |                |      |                                 |               |      |                    |
| 320  | 7,348,762          | 36,575           |      |                |      |                                 |               |      | 7,385,337          |
| 330  |                    |                  |      |                |      |                                 |               |      |                    |
| 340  |                    |                  |      |                |      |                                 |               |      |                    |
| 390  |                    |                  |      |                |      |                                 |               |      |                    |
| <b>TOTAL</b>   | <b>7,348,762</b>   | <b>36,575</b>    |      |                |      |                                 |               |      | <b>7,385,337</b>   |
| <b>400 - PURCHASED PROPERTY SERVICES</b>                     |                    |                  |      |                |      |                                 |               |      |                    |
| 410  |                    |                  |      |                |      |                                 |               |      |                    |
| 420  | 7,588              |                  |      |                |      |                                 |               |      | 7,588              |
| 430  | -                  |                  |      |                |      |                                 |               |      | 0                  |
| 440  | -                  |                  |      |                |      |                                 |               |      | 0                  |
| 460  |                    |                  |      |                |      |                                 |               |      |                    |
| 490  |                    |                  |      |                |      |                                 |               |      |                    |
| <b>TOTAL</b>   | <b>7,588</b>       |                  |      |                |      |                                 |               |      | <b>7,588</b>       |

The accompanying notes to Form PDE-2115 are an integral part of this form.

| OBJECTS   | FUNCTIONS        |                |      |            |      |      |        |           |  | TOTAL            |
|---|------------------|----------------|------|------------|------|------|--------|-----------|--|------------------|
|   | 1200             | 2100           | 2200 | 2300       | 2400 | 2500 | 2600   | 5200      |  |                  |
| <b>500 - OTHER PURCHASED SERVICES</b>           |                  |                |      |            |      |      |        |           |  |                  |
| 510   | 80,880           |                |      |            |      |      |        |           |  | 80,880           |
| 520   |                  |                |      |            |      |      |        |           |  | -                |
| 530   |                  |                |      |            |      |      |        |           |  | -                |
| 540   |                  |                |      |            |      |      |        |           |  | -                |
| 550   |                  |                |      |            |      |      |        |           |  | -                |
| 560   |                  |                |      |            |      |      |        |           |  | -                |
| 580   | 902,934          | 278            |      |            |      |      |        |           |  | 903,212          |
| 590   |                  |                |      |            |      |      |        |           |  | -                |
| <b>TOTAL</b>                                    | <b>983,814</b>   | <b>278</b>     |      |            |      |      |        |           |  | <b>984,092</b>   |
| <b>600 - SUPPLIES</b>                           |                  |                |      |            |      |      |        |           |  |                  |
| 610   | 761,551          | 9,088          |      | 100        |      |      |        |           |  | 770,739          |
| 620   |                  |                |      |            |      |      |        |           |  |                  |
| 630   |                  |                |      |            |      |      |        |           |  |                  |
| 640   | 505,855          | 149,076        |      |            |      |      |        |           |  | 654,931          |
| <b>TOTAL</b>                                    | <b>1,267,406</b> | <b>158,164</b> |      | <b>100</b> |      |      |        |           |  | <b>1,425,670</b> |
| <b>700 - PROPERTY</b>                           |                  |                |      |            |      |      |        |           |  |                  |
| 750   |                  | -              |      |            |      |      |        |           |  | -                |
| 760   | 3,846,031        |                |      |            |      |      |        |           |  | 3,846,031        |
| <b>TOTAL</b>                                    | <b>3,846,031</b> | <b>-</b>       |      |            |      |      |        |           |  | <b>3,846,031</b> |
| <b>800 - OTHER OBJECTS</b>                      |                  |                |      |            |      |      |        |           |  |                  |
| 800   | -                |                |      |            |      |      |        |           |  | -                |
| <b>900 - FUND TRANSFERS</b>                     |                  |                |      |            |      |      |        |           |  |                  |
| 900   |                  |                |      |            |      |      |        | 9,000,000 |  | 9,000,000        |
| <b>GRAND TOTAL - INCLUDE NOTE AS APPLICABLE</b> |                  |                |      |            |      |      |        |           |  |                  |
|   | 195,499,692      | 12,843,845     |      | 585,986    |      |      | 58,402 | 9,000,000 |  | 217,987,925      |
| <b>NOTE: PRIOR YEAR ENCUMBRANCE LIQUIDATION</b> |                  |                |      |            |      |      |        |           |  |                  |
| 310   |                  |                |      |            |      |      |        |           |  |                  |
| 320   | 2,289,437        | 9,500          |      |            |      |      |        |           |  |                  |
| 330   |                  |                |      |            |      |      |        |           |  |                  |
| 340   |                  |                |      |            |      |      |        |           |  |                  |
| 390   | -                |                |      |            |      |      |        |           |  |                  |
| <b>300 TL</b>                                   | <b>2,289,437</b> | <b>9,500</b>   |      |            |      |      |        |           |  | <b>2,298,937</b> |
| 440   | 11,128           |                |      |            |      |      |        |           |  |                  |
| <b>400 TL</b>                                   | <b>11,128</b>    |                |      |            |      |      |        |           |  | <b>11,128</b>    |
| <b>500 TL</b>                                   | <b>2,476</b>     |                |      |            |      |      |        |           |  | <b>2,476</b>     |
| 610   | 31,839           | 90             |      |            |      |      |        |           |  |                  |
| 640   | 12,017           | 13,921         |      |            |      |      |        |           |  |                  |
| <b>600 TL</b>                                   | <b>43,856</b>    | <b>14,011</b>  |      |            |      |      |        |           |  | <b>57,867</b>    |
| 750   | -                | -              |      |            |      |      |        |           |  |                  |
| 760   | 6,343            | -              |      |            |      |      |        |           |  |                  |
| <b>700 TL</b>                                   | <b>6,343</b>     | <b>-</b>       |      |            |      |      |        |           |  | <b>6,343</b>     |
| <b>TOTAL</b>                                    | <b>2,353,240</b> | <b>23,511</b>  |      |            |      |      |        |           |  | <b>2,376,751</b> |

The accompanying notes to Form PDE-2115 are an integral part of this form.

SCHOOL DISTRICT OF PHILADELPHIA  
INTERMEDIATE UNIT # 26  
LOCAL REVENUE  
FISCAL YEAR 2009/2010

|  |    |                              |
|--|----|------------------------------|
| Billed to Other Districts                | \$ | 289,669.00                   |
| School District Contribution to the I.U. |    | <u>200,982,777.00</u>        |
| Total Local Revenue                      | \$ | <u><u>201,272,446.00</u></u> |

The accompanying notes to Form PDE-2115 are an integral part of this form.

**Philadelphia Intermediate Unit No. 26**  
**Notes to Form PDE-2115**  
**Fiscal Year Ended June 30, 2010**

1. PURPOSE OF FORM PDE-2115

Form PDE-2115 has been prepared in conformity with accounting practices prescribed or permitted by the Department of Education of the Commonwealth of Pennsylvania. Under this method, expenditures are reported in the fiscal year they are incurred. Revenues include all payments received from the Commonwealth during the fiscal year, and, if applicable, any amounts received outside of the current fiscal year but directly attributable to it. The form reports certain financial activity of the Philadelphia Intermediate Unit No. 26 to the Department of Education of the Commonwealth of Pennsylvania in compliance with the Public School Code of 1949, Section 2509.1 as amended. This form presents only the revenues, expenditures and encumbrances relating to providing special education services to exceptional children, and eligible young children in an early intervention program.



# CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER  
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ALAN BUTKOVITZ  
City Controller

GERALD V. MICCIULLA  
Deputy City Controller

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF PENNSYLVANIA DEPARTMENT OF EDUCATION FORMS 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 Form PDE-2099 – Intermediate Unit Transportation Fiscal Report – and Form PDE-2115 – Final Expenditure Report Special Education Programs IU Core – (PDE Forms) of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania (Philadelphia Intermediate Unit), for the year ended June 30, 2010 and have issued our reports thereon dated October 13, 2011. We conducted our audits 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**

Management of the Philadelphia Intermediate Unit is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Philadelphia Intermediate Unit's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the PDE Forms, but not for the purpose of expressing an opinion on the effectiveness of the Philadelphia Intermediate Unit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Intermediate Unit's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Philadelphia Intermediate Unit's PDE Forms will not be prevented, or detected and corrected on a timely basis.



CITY OF PHILADELPHIA  
OFFICE OF THE CONTROLLER

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Philadelphia Intermediate Unit's PDE Forms 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 PDE Form amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 conditions that are not required to be reported under *Government Auditing Standards*, but nonetheless represent deficiencies in internal control over financial reporting that should be addressed by management. These conditions are listed in the table of contents and described in the findings and recommendations section of the report.

The Philadelphia Intermediate Unit's response to the findings identified in our audits is included in the agency response section of the report. We did not audit the Philadelphia Intermediate Unit's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit, others within the entity, and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

October 13, 2011

GERALD V. MICCIULLA, CPA  
Deputy City Controller

## ***FINDINGS AND RECOMMENDATIONS***

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### **ENCUMBRANCE POLICY STILL NEEDS CLARIFICATION**

Previously, we commented that School District of Philadelphia (District) personnel failed to liquidate significant amounts of encumbrances that no longer represented valid purchase commitments at fiscal year-end. Out of \$2,075,149 in Intermediate Unit fiscal year-end open encumbrances tested, \$1,274,948 (61 percent) were unnecessary (invalid). This condition occurred because the District's encumbrance policy was neither clear nor adequately communicated to the responsible unit managers. While District management asserted it was the unit manager's responsibility to notify the District's Office of Management and Budget (OMB) to cancel an encumbrance, the District's encumbrance policy document instead indicated that the OMB would cancel any remaining fiscal year-end encumbrances.

Our current testing revealed significant improvement in the District's year-end encumbrance cancellation process, noting no further instances of invalid Intermediate Unit encumbrances. District policy documents, however, remained unchanged and still contained conflicting information that did not clearly direct unit managers of their responsibility to notify OMB to cancel an encumbrance. The annual memorandum sent to unit managers regarding expenditure request cut-off dates was revised in fiscal year 2010. Instead of instructing unit managers of their responsibility to notify OMB to cancel an encumbrance, the memorandum stated that any year-end open encumbrances not cancelled by unit managers by a certain date "may be" cancelled by OMB.

#### **Recommendation:**

To further improve controls over the encumbrance liquidation process, we continue to recommend that District management formally revise the encumbrance cancellation policy to clarify the unit managers' responsibilities and disseminate this revised policy to unit managers [420109.01].

### **CALCULATION METHODOLOGY FOR TRANSPORTATION COSTS NOT ALWAYS DOCUMENTED**

In our prior audit, we reported that District personnel did not always adequately document the calculation methodology for expenditures reported on the Intermediate Unit Transportation Fiscal Report (Form PDE-2099). Specifically, the allocation percentages used in the calculation of bus attendant payroll costs, vehicle maintenance costs, and the Commonwealth of Pennsylvania's share of social security and medicare contributions were based on outdated studies and past practices for which the District could not provide any supporting documentation.

During our current audit, the District updated and documented the allocation percentage used for social security and medicare tax contributions. However, the conditions related to documentation for bus attendants and vehicle maintenance costs remained unchanged.

Although the District could not provide us with documentation supporting the allocation percentages used for bus attendants and maintenance expenditures reported on the fiscal year 2010 Form PDE-2099, we were able to satisfy ourselves that the percentages used provided a reasonable estimation of those costs.

Recommendation:

To improve the documentation for the calculation of expenditures reported on Form PDE-2099, we continue to recommend that District management require that analyses be performed to estimate (1) the percentage of bus attendants' time spent traveling on school buses with special education students and (2) the portion of vehicle maintenance costs attributable to non-student vehicles. The percentages developed from these analyses should then be incorporated into the calculation of expenditures reported on Form PDE-2099 [420109.02].

**AGENCY'S RESPONSE**

SCHOOL DISTRICT OF PHILADELPHIA  
SCHOOL REFORM COMMISSION  
440 N. BROAD STREET, SUITE 322  
PHILADELPHIA, PENNSYLVANIA 19130

Marcy F. Blender, CPA  
Comptroller

TELEPHONE (215) 400-5435  
FAX (215) 400-4521

March 6, 2012

City of Philadelphia  
Office of the Controller  
1230 Municipal Services Building  
1401 John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19102-1679

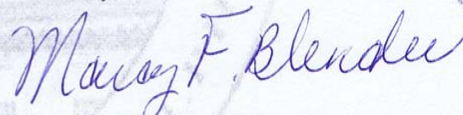
**Re: Response to Philadelphia Intermediate Unit 26 Fiscal Year 2010 Auditor's Report**

Dear Mr. Alan Butkovitz,

This memorandum and the attachments are in response to the Philadelphia Intermediate Unit 26's Transportation and Final Expenditure Report Special Education Core Programs (PDE Forms) for Fiscal Year 2010 auditor's findings and recommendations.

If you have any questions or concerns regarding this matter, please contact me at 215-400-5435.

Sincerely,



Marcy F. Blender, CPA  
Comptroller

Encl.

Cc: Pedro A. Ramos, Esq., SRC Chairman  
Thomas E. Knudsen, SDP Chief Recovery Officer and Acting Superintendent  
Gerald V. Micciulla, CPA, Deputy Controller, City of Philadelphia Controller

**School District of Philadelphia Response to Fiscal Year 2010 Philadelphia Intermediate  
Unit No. 26 Auditor's Report**

**1) Encumbrance Policy Still Needs Clarification:**

As noted in the audit report, there was a significant improvement from the prior year in the cancellation of encumbrances and no further instances of invalid Intermediate Unit encumbrances were identified. This was a direct result of pro-active measures implemented as part of the year-end close process to review open encumbrances and work with program manager's to determine if they are valid or need to be closed. The District is taking under consideration the auditor's recommendation to formally revise the encumbrance policy. As recommended, there has been clarification to unit manager's of their responsibilities which has resulted in the correction of the previous findings of invalid encumbrances on the books at year-end.

**2) Calculation Methodology for Transportation Costs Not Always Documented:**

Responses for the Intermediate Unit Transportation Report (Form PDE-2099) audit findings:

1. The percentage of bus attendant time allocable to Transportation for special education was analyzed and calculated for Fiscal Year 2011, and will be recalculated each subsequent year. To substantiate this percentage, the average live time of public special education bus routes was first determined by reference to the District's "Transportation Route Time Listing" report (AB079A). The total round-trip live time was then divided by the sum of the base attendant time of five hours and the average daily overtime hours determined by a Crystal report run against the District's financial system. For Fiscal Year 2011, the calculated percentage equaled the historic percentage of 49%.
2. Beginning with the Fiscal Year 2010 report, Transportation Maintenance and Administrative personnel were surveyed to corroborate the historic practice of allocating 2% of bus maintenance costs to non-personnel vehicles. It was determined that there is no current reason for this practice and it was deemed vestigial. No bus maintenance costs were allocated to non-bus vehicles in Fiscal Year 2010 or in FY 2011, and barring any changes in practice, none are expected to be allocated in subsequent years.