



**City of Philadelphia  
Office of the City Controller**

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**Office of the City Controller Releases Report on School District's Internal Control Over Financial Reporting; Finds No Material Weaknesses or Significant Deficiencies**

*Controller Rhyhart commends School District for improvements made to previous year findings.*

**Philadelphia, PA** – The Office of the City Controller released its annual report on internal control and on compliance and other matters for the School District of Philadelphia. The report, which examines the District's internal control over financial reporting, found no material weaknesses or significant deficiencies. The audit did identify four conditions that require corrective action by the School District.

The findings are as follows:

- Backlog in termination payments still exists;
- Student Activity Fund dollars continue to be at risk for theft and misuse;
- Equipment assigned to some locations could not be accounted for; and
- TransPasses missing and unaccounted for.

"Leadership at the School District of Philadelphia has prioritized internal controls over financial reporting. This commitment to strong controls is evident – not one of its findings rise to the level of being a material weakness or significant deficiency," said City Controller Rebecca Rhyhart. "While there is still some work to do, I commend the School District on the steps they have taken to resolve or improve on previous year findings. And I encourage them to stay focused on continued improvement."

In fiscal year 2017, the School District had no material weaknesses or significant deficiencies, but did have 6 other condition findings. Of those findings, two were completely resolved (administrative approval of bi-weekly payroll and capital assets inaccurately reported in the District's Financial Statements) in fiscal year 2018's report, and two others, backlog in termination pay and missing and unaccounted for TransPasses, were partially resolved.

In fiscal year 2017, the Controller's Office found that the School District owed \$6.7 million in termination pay, accrued leave time at separation from School District service, to more than 2,300 former employees. Over the course of fiscal year 2018, the School District implemented a plan, which included increasing staff and dedicating resources, to address the backlog of former employees owed termination pay, reducing the backlog by 1,236

cases. While the entirety of the backlog has not been addressed, the School District made considerable progress on this finding.

Additionally, the School District also took corrective action to improve the distribution of TransPasses to students over the last fiscal year, updating its procedures for pass distribution. While improvements were noted on the School District's procedures, school staff still need to improve their internal processes for TransPass distribution.

Read the full report [here](#).