



City of Philadelphia
Office of the City Controller

For immediate release: Thursday, July 23, 2020

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Office of the City Controller Releases Report on School District's Internal Control Over Financial Reporting

Controller Rhynhart encourages School District to prioritize addressing backlog in termination pay.

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, but identified four conditions that require corrective action by the School District.

“Strong internal controls over financial reporting help ensure trust in government institutions as responsible stewards of taxpayer dollars,” said City Controller Rebecca Rhynhart. “Though the School District should prioritize working through the remaining findings from the audit, I’d like to acknowledge them for another year without any material weaknesses or significant deficiencies.”

The findings from the report are as follows:

- **Backlog in termination payments still exists** – The School District had processed 1,499 cases of the backlog from fiscal year 2018, but still owed \$4.3 million in termination pay, accrued leave time at separation from School District service, to nearly 600 former employees in fiscal year 2019. This shows progress compared to the \$4.8 million owed to more than 1,600 employees in fiscal year 2018;
- **Equipment assigned to some locations could not be accounted for** – Lack of oversight of school equipment increases the risk for inaccurate financial statements and fraud. Of the 135 items selected for testing, 48% of the items, with a combined value of \$88,000, could not be located or had been removed without proper documentation;
- **Student Activity Fund dollars continue to be at risk for fraud and misuse** – The Controller's Office observed a lack of compliance with the established procedures for properly maintaining Student Activity Funds valued at more than \$1 million, placing the funds at greater risk for fraud or misuse; and
- **TransPasses missing and unaccounted for** – Of the five schools selected for testing, school personnel could not account for 873 of the 2,135 TransPasses received for distribution to students.

“While improved, the backlog in termination pay is a concern,” added Controller Rhynhart. “The School District created a detailed plan to address the issue in FY17. In FY18, they began implementing the plan, which included increasing staff and resources. However, with disruptions in operations due to COVID-19 expected to create

challenges for the School District, leadership needs to prioritize working through the remaining backlog now, so it doesn't fall even further behind."

Read the full report [here](#).