



CITY OF PHILADELPHIA

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CHRISTY BRADY
Deputy City Controller

To the Board President and Members of
The Board of Education of the
School District of Philadelphia

We have audited the financial statements of the School District of Philadelphia as of and for the period ended June 30, 2020 and have issued our report thereon dated February 15, 2021. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated December 4, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures.

We are also responsible for communicating significant matters related to the audit that in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Significant Findings or Issues from the Audit

Qualitative Aspects of Accounting Practices

Management has the responsibility to select and use appropriate accounting policies. The significant accounting policies adopted by the District are summarized in the notes to the financial statements. There have been no changes in significant accounting policies during fiscal year 2020. No matters have come to

our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are liabilities related to pensions and OPEB, and construction in progress.

Financial Statement Disclosures

The financial statement disclosures are clear, consistent, and understandable.

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the audit.

Representations Requested from Management

We have requested certain written representations which are included in the letter dated February 15, 2021.

Management Consultation with other Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters. Management informed us of their consultation regarding their approach to pension allocation among the Governmental, Food Services and Print Shop funds. This consultation did not affect the application of any accounting principles or our opinion on the financial statements as a whole.

Other Significant Matters, Findings or Issues

We noted that although greatly improved, the District is still not processing termination payments in a timely manner. At the conclusion of our fiscal 2019 report, we found that termination payments totaling \$4.3 million to over 500 employees, some as far back as 2006. At the conclusion of our fiscal 2020 audit, we found that termination payments totaling \$2.2 million to over 400 employees, some as far back as 2006, have still not been distributed. It would also appear that the District is in violation of applicable labor agreements as well as Pennsylvania escheat laws for amounts that are distributable and payable and remain unclaimed after a two- year period.

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

A handwritten signature in black ink that reads "Christy Brady". The signature is written in a cursive style and is set against a light purple rectangular background.

Christy Brady, CPA
Deputy City Controller
Philadelphia, PA
May 26, 2021