



# 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

CHRISTY BRADY  
City Controller

CHARLES EDACHERIL  
Deputy City Controller

## **INDEPENDENT AUDITOR'S 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 Board President and Members of  
The Board of Education of the  
School District of Philadelphia

We have audited, in accordance with the 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, 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 (School District), a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 18, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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 financial statements. 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CHARLES EDACHERIL, CPA  
Deputy City Controller



CHRISTY BRADY, CPA  
City Controller

Philadelphia, Pennsylvania  
February 18, 2025



# 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

CHRISTY BRADY  
City Controller

CHARLES EDACHERIL  
Deputy City Controller

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

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

### **Report on Compliance for Each Major Federal Program**

#### *Opinion on Each Major Federal Program*

We have audited the School District of Philadelphia, Pennsylvania's (School District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2024. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

*Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, a component unit of the City of Philadelphia, Pennsylvania, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We have issued our report thereon dated February 18, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CHARLES EDACHERIL, CPA  
Deputy City Controller



CHRISTY BRADY, CPA  
City Controller

Philadelphia, Pennsylvania  
March 25, 2025

**SCHOOL DISTRICT OF PHILADELPHIA**

*Schedule of Findings and Questioned Costs – June 30, 2024*

Section I – Summary of Auditor’s Results:

*Financial Statements:*

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ yes  X  no  
Significant deficiency(ies) identified? \_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_ yes  X  no

*Federal Awards:*

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_ yes  X  no  
Significant deficiency(ies) identified?  X  yes \_\_\_ none reported

Type of auditor’s report issued on compliance for major federal programs:  
Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)  X  yes \_\_\_ no

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN Number(s)</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Fresh Fruit and Vegetable Program	10.582
Career and Technical Education-Basic Grants to States	84.048
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334
Education Stabilization Fund	84.425

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

Auditee qualified as low-risk auditee?  X  yes \_\_\_ no

Section II – Financial Audit Findings:

None

Section III – Federal Awards Findings and Questioned Costs:

2024-001      Matching, Level of Effort, and Earmarking – Significant Deficiency and Compliance Finding      X  
                  AL 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs

## ***SCHOOL DISTRICT OF PHILADELPHIA***

---

*Federal Findings and Questioned Costs – June 30, 2024*

### **2024-001 MATCHING, LEVEL OF EFFORT, AND EARMARKING – SIGNIFICANT DEFICIENCY AND COMPLIANCE FINDING**

#### **Assistance Listing 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)**

**Condition:** During the fiscal year 2024 audit of the GEAR UP program, it was noted that the School District did not meet the grant’s required matching contributions for the budget period covering October 1, 2023 through September 30, 2024. The School District was required to provide a minimum contribution equal to the total GEAR UP federal funds obligated<sup>1</sup> during the stated budget year. However, while the School District reported \$2,990,975 in total program obligations for the period, its matching contribution only amounted to \$820,416 representing just 27% of the total GEAR UP funds obligated and resulting in a matching shortfall of \$2,170,558. Funding for this program is from the U.S. Department of Education.

**Criteria:** The Code of Federal Regulations Title 34, Part 694.7 states that to be eligible for GEAR UP funding, a grantee must make substantial progress towards meeting the matching percentage stated in its approved application for each year of the project period. The non-federal share of the cost of the GEAR UP project must not be less than 50 percent of the total cost of the project (i.e., one dollar of non-federal contributions for every one dollar of Federal funds obligated for the project) over the project period. The non-federal share of the cost of a GEAR UP project may be provided in cash or in-kind.

**Effect:** Failure to meet the required matching amount or show yearly progress in attaining the matching percentage could result in an increased risk of noncompliance with federal regulations and/or possible disallowance of grant funding.

**Cause:** The School District does not have procedures in place for identifying, securing, and tracking matching contributions.

**Recommendation:** We recommend that the School District strengthen its internal controls over the GEAR UP program matching requirements by developing and implementing the following procedures:

- Training grant personnel to help identify eligible funding sources for matching contributions;
- Creating a detailed tracking system for in-kind and cash contributions.
- Conducting periodic reconciliations of matching contributions to ensure compliance with grant requirements.

#### **Views of Responsible Officials and Corrective Action Plan:**

The responsible School District of Philadelphia (SDP) officials agree with the deficiencies identified regarding matching contributions, level of effort, and earmarking for the GEAR UP program. To address this finding, the following corrective actions will be implemented expeditiously to ensure the matching requirements are met by the end of the grant period in 2027:

---

<sup>1</sup> Obligated funds represent total actual disbursements during the period plus expenses that were anticipated for the remainder of the period.



- **Training for Program Staff:** Targeted training will be provided for the program staff to ensure a full understanding of the GEAR UP matching requirements, including the necessity for accurate recordkeeping and compliance with the level of effort and earmarking rules.
- **Review and Strengthen Documentation Procedures:** Complete a comprehensive review of all records and documentation related to matching contributions (including Years 1-3 to recoup unclaimed internal matches that may have been overlooked), and level of effort. A team (including both the School District's GEAR UP Program Office and Grants Compliance Office) will oversee the collection and verification of all supporting documentation moving forward. This will include a detailed tracking system for in-kind and cash contributions. Lastly, the comprehensive plan will add school-level match requirements for each high school to identify other matching contributions at the school level.
- **Monitoring and Oversight:** Implement a quarterly leadership review process to ensure that all matching and level of effort requirements are being met and documented in accordance with program guidelines. Any concerns will be immediately addressed and corrected.
- **Timeline:** These corrective actions will be fully implemented by September 2025, with ongoing monitoring by the GEAR UP Program Office to ensure sustained compliance.

We are confident that these actions will remedy the deficiencies that were identified and prevent future occurrences.

Dr. Aja Holden, Executive Director, Office of Postsecondary Readiness, School District of Philadelphia, 215-400-5145