

**School District of Philadelphia  
Pennsylvania**

**Schedule of  
Financial Assistance**



**Fiscal Year Ended June 30, 2015**

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The School District of Philadelphia  
Office of Family and Community Engagement  
440 N. Broad Street, Suite 114  
Philadelphia, PA 19130-4015  
Email: [ask@philasd.org](mailto:ask@philasd.org)  
Tel: (215) 400-4000  
Fax: (215) 400-4181

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**School District of Philadelphia  
Pennsylvania**

**Schedule of  
Financial Assistance**

**Fiscal Year Ended June 30, 2015**

**Prepared By:**

**Office of General Accounting**

**SCHOOL DISTRICT OF PHILADELPHIA  
SCHEDULE OF FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SCHOOL DISTRICT OF PHILADELPHIA  
SCHEDULE OF FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Section I.**

**Introductory**

**Section**

THE SCHOOL DISTRICT OF PHILADELPHIA  
OFFICE OF THE SUPERINTENDENT  
440 N. BROAD STREET, SUITE 301  
PHILADELPHIA, PENNSYLVANIA 19130

WILLIAM R. HITE, JR., Ed.D.  
SUPERINTENDENT

TELEPHONE (215) 400-4100  
FAX (215) 400-4103

March 16, 2016

School Reform Commission  
School District of Philadelphia  
440 North Broad Street, Suite 101  
Philadelphia, PA 19130

**Re: Schedule of Financial Assistance and Schedule of Expenditures of Federal Awards**

Dear Members of the School Reform Commission:

The Schedule of Financial Assistance (“SFA”) of The School District of Philadelphia (“School District”) for the fiscal year ended June 30, 2015, which includes the Schedule of Expenditures of Federal Awards (“SEFA”), is submitted herewith. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the Federal financial activity of the School District as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the School District’s financial assistance have been included.

**THE FEDERAL SINGLE AUDIT REQUIREMENT**

The United States Congress enacted the Single Audit Act Amendments of 1996 (the “Act”), and the President signed the Act into law on July 5, 1996. The Office of Management and Budget (“OMB”) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, in accordance with the Act, to clarify and establish audit requirements for States, Local Governments and Non-Profit Organizations. The School District is required by the Act to have an annual audit performed on its entire operations, including a separate reporting on its federal financial activity or otherwise the SEFA.

The School District’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2015, presents the entire operations of the School District. The CAFR was issued under separate cover on February 17, 2016. The SFA is issued in conjunction with the CAFR in order to comply with the reporting provisions of the Act. The report of the independent auditor on the SEFA, dated March 16, 2016, is reported in conjunction with the Independent Auditor’s Reports on Compliance for Each Major Program, on Internal Control over Compliance, and on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133. The financial presentations in each report are derived from the same financial activity in the School District’s various funds.

Copies of the reporting package (CAFR and SFA) and Data Collection Form must be forwarded to the Federal Audit Clearinghouse or otherwise the U.S. Bureau of the Census. In addition, a reporting package must be issued to each federal agency providing direct funding and affected by an audit finding on the Schedule of Findings and Questioned Costs or the Summary Schedule of Prior Year Findings, and to required state or other governments. The report must be forwarded within the earlier of 30 days after receipt of the auditor's report(s), or nine months after our fiscal year end of June 30, 2015, unless extended. In accordance with the Act, the SFA will be made available for public inspection.

The Schedule of Expenditures of Federal Awards of the School District of Philadelphia is presented in Section II of the SFA.

### **STATE OF PENNSYLVANIA SINGLE AUDIT REQUIREMENT**

On November 1, 2000, the DHS issued the Single Audit Supplement as an aid to local government entities and their independent auditors in the specific auditing and performance of the Single Audit. This supplement provides program specific auditing and reporting requirements which are applied in conjunction with the Single Audit Act's required standards and guidelines for programs funded through the DHS

### **COGNIZANT AGENCY**

The OMB, in accordance with the Act, assigned the U.S. Department of Health and Human Services, National External Audit Review Center as the Cognizant Agency for the School District.

### **INDEPENDENT AUDITOR**

The Philadelphia Home Rule Charter establishes the City Controller, a separately elected official, as the independent auditor of The School District of Philadelphia. Our Cognizant Agency has recognized the independence of the City Controller and the Single Audit was conducted through his appointed Certified Public Accountant in charge of auditing, in accordance with the provisions of The Philadelphia Home Rule Charter.

### **AUDITOR REPORTS**

The Single Audit Act, in conjunction with the American Institute of Certified Public Accountants, requires that the auditor issue four reports in connection with its examination of the SEFA: The 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; and the Reports on Compliance for Each Major Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133. These federal and state requirements have been met and the reports are included herein.



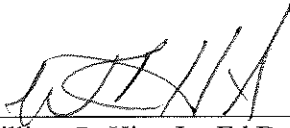
**PLAN FOR CORRECTIVE ACTION**

The Act requires that the School District submit its plan for corrective action to address each audit finding included in the current year auditor's reports. The School District's Plan for Corrective Action is included in the 'Grantee's Response' section following each finding.

**ACKNOWLEDGEMENTS**

The preparation of this report was made possible by the dedicated service of the entire staff of the Chief Financial Officer, especially the Office of General Accounting and the Office of Grants Development and Compliance. We express our sincere appreciation to all the members of these departments who assisted in and contributed to the preparation of this report. We also thank the Office of the City Controller for their cooperation and assistance.

Respectfully,

  
\_\_\_\_\_  
William R. Hite, Jr., Ed.D.  
Chief Executive Officer and  
Superintendent

  
\_\_\_\_\_  
Uri Monson  
Chief Financial Officer

**Section II.**

**Schedule of**

**Expenditures of**

**Federal Awards**

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal	Grantor Contract Number Other	Total Grant Award \$	Federal Expenditures \$
<b>Supplemental Nutrition Assistance Program Cluster (SNAP)</b>					
<b>U.S. Department of Agriculture</b>					
<b>Passed - Through Programs: PA Department of Human Services</b>		<b>(Passed Through PENN STATE UNIVERSITY)</b>			
<b>10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>					
Pennsylvania Nutrition Education Plan	10.561	4000008692	4290-SDP-COP-8692	3,180,449.00	0.00
Pennsylvania Nutrition Education Plan	10.561	4000008692	4290-SDP-COP-8692	3,003,746.00	565,361.63
Pennsylvania Nutrition Education Plan	10.561	4000008692	4290-SDP-COP-8692	3,304,081.60	2,156,733.33
<b>Subtotal 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>				<b>9,488,276.60</b>	<b>2,722,094.96</b>
<b>Subtotal Passed - Through Programs: PA Department of Human Services</b>				<b>9,488,276.60</b>	<b>2,722,094.96</b>
<b>Passed - Through Programs: PA Department of Education</b>					
<b>10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>					
ELECT	10.561	-	4100060967	286,227.42	0.00
ELECT	10.561	-	4100060967	284,833.00	284,833.00
<b>Subtotal 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program</b>				<b>571,060.42</b>	<b>284,833.00</b>
<b>Subtotal Passed - Through Programs: PA Department of Education</b>				<b>571,060.42</b>	<b>284,833.00</b>
<b>Total U.S. Department of Agriculture</b>				<b>10,059,337.02</b>	<b>3,006,927.96</b>
<b>Total Supplemental Nutrition Assistance Program Cluster (SNAP)</b>				<b>10,059,337.02</b>	<b>3,006,927.96</b>
<b>Child Nutrition Cluster</b>					
<b>U.S. Department of Agriculture</b>					
<b>Passed -Through Programs: PA Department of Education</b>					
<b>10.553 School Breakfast Program</b>					
Breakfast - Cash Assistance	10.553	-		17,441,230.55	0.00
Breakfast - Cash Assistance	10.553	-		19,684,302.59	19,684,302.59
<b>Subtotal 10.553 School Breakfast Program</b>				<b>37,125,533.14</b>	<b>19,684,302.59</b>
<b>10.555 National School Lunch Program: (See Note 7)</b>					
Lunch and Snack - Cash Assistance	10.555	F82024		41,716,545.42	0.00
Lunch and Snack - Cash Assistance	10.555	F82024		50,318,494.74	50,318,494.74
Non-Cash Assistance (Commodities)	10.555	-		4,508,824.00	1,511,708.00
Non-Cash Assistance (Commodities)	10.555	-		4,286,060.00	3,314,009.00
<b>Subtotal 10.555 National School Lunch Program</b>				<b>100,829,924.16</b>	<b>55,144,211.74</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>137,955,457.30</b>	<b>74,828,514.33</b>
<b>Total U.S. Department of Agriculture</b>				<b>137,955,457.30</b>	<b>74,828,514.33</b>
<b>Total Child Nutrition Cluster</b>				<b>137,955,457.30</b>	<b>74,828,514.33</b>

**Title I Part A Cluster**

**U.S. Department of Education**

**Passed -Through Programs: PA Department of Education**

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>84.010 Title I Grants to Local Educational Agencies</b>					
Part A - Basic	84.010	S010A120038A	013-12-0335	157,861,564.00	0.00
Part A - Basic	84.010	S010A130038A	013-13-0335	150,223,452.00	1,219,950.90
Part A - Basic	84.010	S010A130038A	013-14-0335	142,960,644.00	32,680,075.97
Part A - Basic	84.010	S010A130038A	013-15-0335	135,921,584.00	90,771,182.70
School Improvement - Set Aside	84.010	S010A090038A	042-12-0335	5,252,701.00	0.00
School Improvement - Set Aside	84.010	S010A090038A	042-13-0335	6,182,793.00	2,643,337.37
School Improvement - Set Aside	84.010	S010A090038A	042-14-0335	7,097,793.00	6,654,180.90
IU 26 Building Capacities	84.010	S010A110038	013-13-0626	66,764.00	14,524.33
IU 26 Building Capacities	84.010	S010A110038	013-14-0626	91,820.00	86,323.61
Reward School	84.010	-	077-15-0335	197,055.00	61,690.67
<b>Subtotal 84.010 Title I Grants to Local Educational Agencies</b>				<b>605,856,170.00</b>	<b>134,131,266.45</b>
<b>Total U.S. Department of Education</b>				<b>605,856,170.00</b>	<b>134,131,266.45</b>
<b>Total Title I, Part A Cluster</b>				<b>605,856,170.00</b>	<b>134,131,266.45</b>
<b>Special Education Cluster</b>					
<b>U.S. Department of Education</b>					
<b>Passed -Through Programs: PA Department of Education</b>					
<b>84.027 Special Education_Grants to States</b>					
IDEA-B	84.027	H027-A130162	062-14-0026	39,219,104.00	2,845,314.67
IDEA-B	84.027	H027-A140162	062-15-0026	40,944,364.00	31,849,932.39
<b>Subtotal 84.027 Special Education_Grants to States</b>				<b>80,163,468.00</b>	<b>34,695,247.06</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>80,163,468.00</b>	<b>34,695,247.06</b>
<b>Passed -Through Programs: PA Department of Education (PaTTAN)</b>					
<b>84.027 Special Education_Grants to States</b>					
School Based Behavior Health	84.027		SBBH0812	45,000.00	0.00
<b>Subtotal 84.027 Special Education_Grants to States</b>				<b>45,000.00</b>	<b>0.00</b>
<b>Subtotal Passed -Through Programs: PA Department of Education (PaTTAN)</b>				<b>45,000.00</b>	<b>0.00</b>
<b>Passed -Through Programs: Elwyn</b>					
<b>84.173 Special Education_Preschool Grants</b>					
Preschool Early Intervention	84.173	16-156-13-1-7200-00000-	131-13-0026	74,351.00	0.00
Preschool Early Intervention	84.173	16-156-13-1-7200-00000-	131-14-0026	93,402.00	93,402.00
<b>Subtotal 84.173 Special Education_Preschool Grants</b>				<b>167,753.00</b>	<b>93,402.00</b>
<b>Subtotal Passed -Through Programs: Elwyn</b>				<b>167,753.00</b>	<b>93,402.00</b>
<b>Total U.S. Department of Education</b>				<b>80,376,221.00</b>	<b>34,788,649.06</b>
<b>Total Special Education Cluster</b>				<b>80,376,221.00</b>	<b>34,788,649.06</b>

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b><u>Impact Aid Cluster</u></b>					
U.S. Department of Education					
84.041 Impact Aid					
Direct Programs					
Impact Area Aid	84.041	S041B-2012-4404	48-PA-2012-1012	230,799.28	230,799.28
<b>Subtotal 84.041 Impact Aid</b>				<b>230,799.28</b>	<b>230,799.28</b>
<b>Total U.S. Department of Education</b>				<b>230,799.28</b>	<b>230,799.28</b>
<b>Total Impact Aid Cluster</b>				<b>230,799.28</b>	<b>230,799.28</b>
<b><u>Education Technology State Grant Cluster</u></b>					
U.S. Department of Education					
Passed -Through Programs: PA Department of Education					
84.318 Educational Technology State Grants					
Education Technology	84.318	-	055-10-0626	1,688,785.00	0.00
<b>Subtotal 84.318 Educational Technology State Grants</b>				<b>1,688,785.00</b>	<b>0.00</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>1,688,785.00</b>	<b>0.00</b>
<b>Total U.S. Department of Education</b>				<b>1,688,785.00</b>	<b>0.00</b>
<b>Total Education Technology State Grant Cluster</b>				<b>1,688,785.00</b>	<b>0.00</b>
<b><u>School Improvement Grant Cluster</u></b>					
U.S. Department of Education					
Passed -Through Programs: PA Department of Education					
84.388 School Improvement Grants, Recovery Act					
School Improvement Grant - ARRA	84.388		139-11-0335	13,153,153.00	490,875.36
School Improvement Grant - ARRA	84.388		139-11-2335	11,811,407.00	706,852.53
School Improvement Grant - ARRA	84.388		139-12-3335	11,969,809.00	(418,859.86)
School Improvement Grant - ARRA	84.388		139-11-9335	2,991,525.00	83,633.40
School Improvement Grant - ARRA	84.388		142-12-2335	161,446.00	0.00
<b>Subtotal 84.388 School Improvement Grants, Recovery Act</b>				<b>40,087,340.00</b>	<b>862,501.43</b>
84.377 School Improvement Grants					
School Improvement Grant	84.377		142-12-2335	2,428,358.00	7,535.22
School Improvement Grant	84.377		142-13-2335	2,537,423.00	1,776,009.04
School Improvement Grant	84.377		142-14-2335	957,493.00	504,357.35
<b>Subtotal 84.377 School Improvement Grants</b>				<b>5,923,274.00</b>	<b>2,287,901.61</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>46,010,614.00</b>	<b>3,150,403.04</b>
<b>Total U.S. Department of Education</b>				<b>46,010,614.00</b>	<b>3,150,403.04</b>
<b>Total School Improvement Grant Cluster</b>				<b>46,010,614.00</b>	<b>3,150,403.04</b>

The accompanying notes form an integral part of this schedule.  
Totals may be off \$1 due to rounding.

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>TANF Cluster</b>					
U.S. Department of Health and Human Services					
Passed -Through Programs: PA Department of Human Services					
93.558 Temporary Assistance for Needy Families (TANF) State Programs (Passed Through PA Department of Education)					
ELECT	93.558	-	4100060967	2,184,333.49	0.00
ELECT	93.558	-	4100060967	2,173,692.01	2,173,692.01
ELECT Fatherhood Initiative	93.558	-	4100060967	272,552.05	0.00
ELECT Fatherhood Initiative	93.558	-	4100060967	280,811.00	280,811.00
<b>Subtotal 93.558 Temporary Assistance for Needy Families (TANF) State Programs</b>				<b>4,911,388.55</b>	<b>2,454,503.01</b>
<b>Subtotal Passed -Through Programs: PA Department of Human Services</b>				<b>4,911,388.55</b>	<b>2,454,503.01</b>
<b>Total U.S. Department of Health and Human Services</b>				<b>4,911,388.55</b>	<b>2,454,503.01</b>
<b>Total TANF Cluster</b>				<b>4,911,388.55</b>	<b>2,454,503.01</b>
<b>Head Start Cluster</b>					
U.S. Department of Health and Human Services					
Direct Programs					
93.600 Head Start					
Basic Grant	93.600	03CH0208/29	-	36,768,390.00	0.00
Basic Grant	93.600	03CH0208/30	-	39,284,770.00	39,284,770.00
<b>Subtotal 93.600 Head Start</b>				<b>76,053,160.00</b>	<b>39,284,770.00</b>
<b>Subtotal Direct Programs</b>				<b>76,053,160.00</b>	<b>39,284,770.00</b>
<b>Total U.S. Department of Health and Human Services</b>				<b>76,053,160.00</b>	<b>39,284,770.00</b>
<b>Total Head Start Cluster</b>				<b>76,053,160.00</b>	<b>39,284,770.00</b>
<b>Medicaid Cluster</b>					
U.S. Department of Health and Human Services					
Passed -Through Programs: PA Department of Human Services					
93.778 Medical Assistance Program					
Health Related Transportation and Administratio	93.778	N/A	-	1,417,351.10	0.00
Health Related Transportation and Administratio	93.778	N/A	-	758,947.65	758,947.65
<b>Subtotal 93.778 Medical Assistance Program</b>				<b>2,176,298.75</b>	<b>758,947.65</b>
<b>Subtotal Passed -Through Programs: PA Department of Human Services</b>				<b>2,176,298.75</b>	<b>758,947.65</b>
<b>Total U.S. Department of Health and Human Services</b>				<b>2,176,298.75</b>	<b>758,947.65</b>
<b>Total Medicaid Cluster</b>				<b>2,176,298.75</b>	<b>758,947.65</b>

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>Education of Homeless Children and Youth Cluster</b>					
<b>U.S. Department of Education</b>					
<b>Passed -Through Programs: PA Department of Education</b>					
<b>84.196 Education for Homeless Children and Youth</b>					
Homeless Children & Youth	84.196	-	081-13-0150	400,000.00	198,493.45
Homeless Children & Youth	84.196	-	081-14-0150	344,652.00	206,154.92
<b>Subtotal 84.196 Education for Homeless Children and Youth</b>				<b>744,652.00</b>	<b>404,648.37</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>744,652.00</b>	<b>404,648.37</b>
<b>Total U.S. Department of Education</b>				<b>744,652.00</b>	<b>404,648.37</b>
<b>Education of Homeless Children and Youth Cluster</b>				<b>744,652.00</b>	<b>404,648.37</b>
<b>U.S. Department of Agriculture</b>					
<b>Passed -Through Programs: PA Department of Education</b>					
<b>10.558 Child and Adult Care Food Program</b>					
Twilight Feeding -Child and Adult Care Food Prc	10.558	F92025	164	2,452,242.80	0.00
Twilight Feeding -Child and Adult Care Food Prc	10.558	F92025	164	2,609,520.12	2,609,520.12
Child and Adult Care Food Program	10.558	F92025	164	2,603,469.93	0.00
Child and Adult Care Food Program	10.558	F92025	164	2,513,709.15	2,513,709.15
<b>Subtotal 10.558 Child and Adult Care Food Program</b>				<b>10,178,942.00</b>	<b>5,123,229.27</b>
<b>10.579 Child Nutrition Discretionary Grants Limited Availability</b>					
ARRA Food Service Equipment	10.579	N/A	129-000157	408,158.00	0.00
<b>Subtotal 10.579 Child Nutrition Discretionary Grants Limited Availability</b>				<b>408,158.00</b>	<b>0.00</b>
<b>10.575 Farm to School Grant Program</b>					
Farm to School - Eat Fresh Here	10.575	CNF2SIMPL14PA01	-	95,500.00	13,048.27
<b>Subtotal 10.575 Farm to School Grant Program</b>				<b>95,500.00</b>	<b>13,048.27</b>
<b>10.582 Fresh Fruit and Vegetable Program</b>					
Lunch and Snack	10.582	F82024		268,398.17	0.00
Lunch and Snack	10.582	F82024		319,780.80	319,780.80
<b>Subtotal 10.582 Fresh Fruit and Vegetable Program</b>				<b>588,178.97</b>	<b>319,780.80</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>11,270,778.97</b>	<b>5,456,058.34</b>
<b>Total U.S. Department of Agriculture</b>				<b>11,270,778.97</b>	<b>5,456,058.34</b>

The accompanying notes form an integral part of this schedule.  
Totals may be off \$1 due to rounding.

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>U.S. Department of Defense</b>					
<b>12.002 Procurement Technical Assistance For Business Firms</b>					
JROTC Programs	12.002	20USC83475	-	983,213.63	0.00
JROTC Programs	12.002	20USC83475	-	867,455.57	867,455.57
<b>Subtotal 12.002 Procurement Technical Assistance For Business Firms</b>				<b>1,850,669.20</b>	<b>867,455.57</b>
<b>12.901 Mathematical Sciences Grants Program</b>					
Startalk - Standard Arabic	12.901	H98230-10-1-0106	-	98,505.00	0.00
Startalk - Mandarin Chinese	12.901	H98230-10-1-0107	-	87,230.44	0.00
<b>Subtotal 12.901 Mathematical Sciences Grants Program</b>				<b>185,735.44</b>	<b>0.00</b>
<b>Subtotal Direct Programs</b>				<b>2,036,404.64</b>	<b>867,455.57</b>
<b>Total U.S. Department of Defense</b>				<b>2,036,404.64</b>	<b>867,455.57</b>
<b>U.S. Department of Justice</b>					
<b>Passed -Through Programs: City of Philadelphia</b>					
<b>16.523 Juvenile Accountability Block Grants</b>					
Juvenile Accountability Incentive Block Grant	16.523	2007-JB-11-18831	-	124,692.00	0.00
<b>Subtotal 16.523 Juvenile Accountability Block Grants</b>				<b>124,692.00</b>	<b>0.00</b>
<b>Subtotal Passed -Through Programs: City of Philadelphia</b>				<b>124,692.00</b>	<b>0.00</b>
<b>Total U.S. Department of Justice</b>				<b>124,692.00</b>	<b>0.00</b>
<b>U.S. Department of Labor</b>					
<b>Direct Programs</b>					
<b>17.261 WIA Pilots, Demonstrations, and Research Projects</b>					
Project U Turn Expansion	17.261	YF163480760A-42	-	5,860,000.00	0.00
DOL Fitzsimons MEES	17.261	YF175106I	-	545,955.00	0.00
DOL Bartram MEES	17.261	YF175116R1	-	414,399.00	0.00
DOL Overbrook MEES	17.261	YF175156R1	-	55,267.00	0.00
DOL Olney West MEES	17.261	YF201531060A42	-	6,270,000.00	0.00
DOL Edison MEES	17.261	YF201541060A42	-	6,270,000.00	0.00
DOL Fels MEES	17.261	YF201551060A42	-	6,270,000.00	0.00
DOL Frankford MEES	17.261	YF201561060A42	-	6,270,000.00	0.00
<b>Subtotal 17.261 WIA Pilots, Demonstrations, and Research Projects</b>				<b>31,955,621.00</b>	<b>0.00</b>
<b>17.270 Reintegration of Ex-Offenders</b>					
DOL Philadelphia MEES	17.270	YF175136V1	-	2,312,891.00	0.00
DOL University MEES	17.270	YF17516CV1	-	2,312,891.00	0.00
DOL Bartram MEES	17.270	YF17511CV1	-	2,312,891.00	0.00
DOL Overbrook MEES	17.270	YF17515CV1	-	2,309,891.00	0.00
DOL Germantown MEES	17.270	YF175126R1	-	2,312,891.00	0.00
DOL Lincoln MEES	17.270	YF17514CV1	-	2,312,891.00	0.00
<b>Subtotal 17.270 Reintegration of Ex-Offenders</b>				<b>13,874,346.00</b>	<b>0.00</b>
<b>Subtotal Direct Programs</b>				<b>45,829,967.00</b>	<b>0.00</b>
<b>Total U.S. Department of Labor</b>				<b>45,829,967.00</b>	<b>0.00</b>

The accompanying notes form an integral part of this schedule.  
Totals may be off \$1 due to rounding.



School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b><u>U.S. Department of Transportation</u></b>					
<b>20.215 Highway Training and Education</b>					
G.A.Morgan Tech and Transport.Ed Program	20.215		DTFH61-11-G00004	100,000.00	0.00
G.A.Morgan Tech and Transport.Ed Program	20.215		DTFH61-12-G00024	100,000.00	0.00
<b>Subtotal 20.215 Highway Training and Education</b>				<b>200,000.00</b>	<b>0.00</b>
<b>Total U.S. Department of Transportation</b>				<b>200,000.00</b>	<b>0.00</b>
<b><u>U.S. Department of Education</u></b>					
<b>Direct Programs</b>					
<b>84.165 Magnet Schools Assistance</b>					
Magnet Schools Assistance Programs	84.165	U165A070081	-	1,320,896.00	0.00
<b>Subtotal 84.165 Magnet Schools Assistance</b>				<b>1,320,896.00</b>	<b>0.00</b>
<b>84.215 Fund for the Improvement of Education</b>					
Small Learning Communities	84.215	S215L080625	-	1,796,366.33	0.00
Small Learning Communities	84.215	S215L080625	-	1,272,412.09	0.00
Small Learning Communities	84.215	S215L100048	-	1,499,760.02	0.00
Small Learning Communities	84.215	S215L100048	-	563,924.69	0.00
Small Learning Communities	84.215	S215L100048	-	1,266,236.16	0.00
Small Learning Communities	84.215	S215L100048	-	910,349.82	0.00
Innovative Approach to Literacy	84.215	S215G140141		750,000.00	394,315.72
<b>Subtotal 84.215 Fund for the Improvement of Education</b>				<b>8,059,049.11</b>	<b>394,315.72</b>
<b>84.334 Gaining Early Awareness and Readiness for Undergraduate Programs</b>					
GEAR UP Partnership	84.334	P344A090131	-	3,814,400.00	58,931.82
GEAR UP Partnership	84.334	P344A090131	-	3,814,400.00	202,894.84
GEAR UP Partnership	84.334	P344A090131-13	-	3,814,400.00	379,459.79
GEAR UP Partnership	84.334	P344A090131-14	-	3,814,400.00	2,680,758.23
GEAR UP Partnership	84.334	P344A140100	-	4,370,400.00	496,446.34
<b>Subtotal 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs</b>				<b>19,628,000.00</b>	<b>3,818,491.02</b>
<b>Subtotal Direct Programs</b>				<b>29,007,945.11</b>	<b>4,212,806.74</b>
<b>Passed -Through Programs: PA State System of Higher Education</b>					
<b>84.334 Gaining Early Awareness and Readiness for Undergraduate Programs</b>					
Gear Up Support	84.334		SP #4000007370	1,901,618.00	(97,620.12)
Gear Up Support	84.334		SP #4000007370	856,133.00	70,427.99
<b>Subtotal 84.334 Gaining Early Awareness and Readiness for Undergraduate Programs</b>				<b>2,757,751.00</b>	<b>(27,192.13)</b>
<b>Subtotal Passed -Through Programs: PA State System of Higher Education</b>				<b>2,757,751.00</b>	<b>(27,192.13)</b>
<b>Passed -Through Programs: University of Wisconsin System</b>					
<b>84.411 Investing in Innovation (I3) Fund</b>					
i3 Fast	84.411	U411B120009	440K263	87,037.87	1,434.37
i3 Fast	84.411	U411B120009	440K263	194,517.79	29,243.88
i3 Fast	84.411	U411B120009	440K263	213,363.38	172,918.29
<b>Subtotal 84.411 Investing in Innovation (I3) Fund</b>				<b>494,919.04</b>	<b>203,596.54</b>

The accompanying notes form an integral part of this schedule.  
Totals may be off \$1 due to rounding.

School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>Subtotal Passed -Through Programs: University of Wisconsin System</b>				<b>494,919.04</b>	<b>203,596.54</b>
<b>Passed -Through Programs: PA Department of Education</b>					
<b>84.013 Title I State Agency Program for Neglected and Delinquent Children and Youth</b>					
Neglected and Delinquent Children	84.013	S010A100038A	107-14-0335	763,241.00	149,644.21
Neglected and Delinquent Children	84.013	S010A100038A	107-15-0335	529,366.00	399,426.18
<b>Subtotal 84.013 Title I State Agency Program for Neglected and Delinquent Children and Youth</b>				<b>1,292,607.00</b>	<b>549,070.39</b>
<b>84.048 Career and Technical Education - Basic Grants to States</b>					
Secondary Allocation	84.048	V048A120038	380-14-4052	5,509,629.00	123,711.05
Secondary Allocation	84.048	V048A120038	380-15-0026	5,244,334.00	4,586,932.06
<b>Subtotal 84.048 Career and Technical Education - Basic Grants to States</b>				<b>10,753,963.00</b>	<b>4,710,643.11</b>
<b>84.184 Safe and Drug-Free Schools and Communities_National Programs</b>					
School Climate Initiative	84.184	S184G140369	-	406,368.00	240,483.67
<b>Subtotal 84.184 Safe and Drug-Free Schools and Communities_National Programs</b>				<b>406,368.00</b>	<b>240,483.67</b>
<b>84.186 Safe and Drug-Free Schools and Communities_State Grants</b>					
Non Public Drug Free	84.186	S186A060039	100-08-0626	465,115.00	0.00
Non Public Drug Free	84.186	S186A060039	100-09-0626	381,543.00	0.00
<b>Subtotal 84.186 Safe and Drug-Free Schools and Communities_State Grants</b>				<b>846,658.00</b>	<b>0.00</b>
<b>84.305 Education Research, Development and Dissemination</b>					
University of Pennsylvania IES Partnership	84.305	R305H140097	564385	101,146.00	83,133.85
<b>Subtotal 84.305 Education Research, Development and Dissemination</b>				<b>101,146.00</b>	<b>83,133.85</b>
<b>84.365 English Language Acquisition State Grants</b>					
Title III Language LEP	84.365	-	010-14-0335	3,307,816.00	2,198,564.00
Title III Language LEP	84.365	-	010-15-0335	3,553,617.00	1,189,889.16
<b>Subtotal 84.365 English Language Acquisition State Grants</b>				<b>6,861,433.00</b>	<b>3,388,453.16</b>
<b>84.366 Mathematics and Science Partnerships</b>					
PDE/MSP Title II Part B Math and Science	84.366	-	075-13-0335	394,000.00	98,336.20
PDE/MSP Title II Part B Math and Science	84.366	-	075-14-0335	356,570.00	193,626.64
<b>Subtotal 84.366 Mathematics and Science Partnerships</b>				<b>750,570.00</b>	<b>291,962.84</b>
<b>84.367 Improving Teacher Quality State Grants</b>					
Improving Teacher Quality (Non-Public)	84.367	-	020-06-0626	565,551.00	(281.00)
Improving Teacher Quality (Non-Public)	84.367	-	020-07-0626	584,351.00	(382.00)
Improving Teacher Quality (Non-Public)	84.367	-	020-09-0626	565,551.00	(244.00)
Improving Teacher Quality (Non-Public)	84.367	-	020-10-0626	565,551.00	(204.00)
Improving Teacher Quality (Non-Public)	84.367	S367A110051	020-13-0626	565,551.00	53,011.42
Improving Teacher Quality (Non-Public)	84.367	S367A130051	020-14-0626	565,551.00	565,551.00
Improving Teacher Quality (Non-Public)	84.367	S367A130051	020-15-0626	565,551.00	565,551.00
Improving Teacher Quality (Class Size Reductio	84.367	S367A130051	020-14-0335	17,516,662.00	5,046,608.17
Improving Teacher Quality (Class Size Reductio	84.367	S367A140051	020-15-0335	17,488,414.00	9,771,207.02
IU 26 Building Capacities	84.367	S367A110051	020-13-0626	12,544.00	0.00
<b>Subtotal 84.367 Improving Teacher Quality State Grants</b>				<b>38,995,277.00</b>	<b>16,000,817.61</b>

The accompanying notes form an integral part of this schedule.  
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School District of Philadelphia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grantor Contract Number		Total Grant Award \$	Federal Expenditures \$
		Federal	Other		
<b>84.413 Race to the Top</b>					
Race to the Top	84.413		FC4100061880	1,710,338.54	0.00
Race to the Top	84.413		FC4100061880	9,953,401.46	6,197,233.26
<b>Subtotal 84.413 Race to the Top</b>				<b>11,663,740.00</b>	<b>6,197,233.26</b>
<b>Subtotal Passed -Through Programs: PA Department of Education</b>				<b>71,671,762.00</b>	<b>31,461,797.89</b>
<b>Total U.S. Department of Education</b>				<b>103,932,377.15</b>	<b>35,851,009.04</b>
<b><u>Department of Health and Human Services</u></b>					
<b>Direct Programs</b>					
<b>93.079 Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance</b>					
Project ARREST	93.079	1U63PS00415201	-	225,000.00	35,177.15
Project ARREST	93.079	5U87PS00415202	-	450,000.00	229,398.18
Youth Risk Behavior	93.079	1U63PS004152	-	49,425.00	0.00
Youth Risk Behavior	93.079	5U87PS004152	-	72,361.00	14,192.86
<b>Subtotal 93.079 Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance</b>				<b>796,786.00</b>	<b>278,768.19</b>
<b>93.267 State Grants for Protection and Advocacy Services</b>					
Family Planning Council	93.267	-	TNW1376	6,963.00	1,365.07
Family Planning Council	93.267	-	TNW1402	16,300.00	2,060.61
Family Planning Council	93.267	-	TNW1502	3,000.00	3,000.00
<b>Subtotal 93.267 State Grants for Protection and Advocacy Services</b>				<b>26,263.00</b>	<b>6,425.68</b>
<b>Subtotal Direct Programs</b>				<b>823,049.00</b>	<b>285,193.87</b>
<b>Total Department of Health and Human Services</b>				<b>823,049.00</b>	<b>285,193.87</b>
<b>GRAND TOTAL</b>				<b>1,130,280,151.66</b>	<b>335,499,145.97</b>

**SCHOOL DISTRICT OF PHILADELPHIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SCHOOL DISTRICT OF PHILADELPHIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**1. GOVERNMENT OF THE SCHOOL DISTRICT**

The School District of Philadelphia (the “School District”) is a separate and independent home rule school district of the first class established by the Education Supplement to the Philadelphia Home Rule Charter (the “Charter”) in December 1965. It is the largest school district in the Commonwealth of Pennsylvania (the “Commonwealth”), serving over 204,500 students. The School District is the eighth largest in the United States in enrollment and employs more than 16,800 full-time professional and non-professional persons. The boundaries of the School District are coterminous with the boundaries of the City of Philadelphia (the “City”).

The School District is a political subdivision of the Commonwealth created to assist in the administration of the General Assembly’s duties under the Constitution of the Commonwealth to “provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth”. Although the School District is an independent legal entity, it is considered to be a component unit of the City of Philadelphia for reporting purposes and is included in the City’s Comprehensive Annual Financial Report.

Effective December 2001 and in a cooperative effort with the City of Philadelphia to address the School District’s financial needs, the Commonwealth of Pennsylvania assumed governing control of the School District by declaring it financially distressed in accordance with Sections 691 and 696 of the Public School Code of 1949.

Shortly thereafter, a five-member School Reform Commission (the “SRC”) was established. Three members, including the Chairman, are appointed by the Governor of Pennsylvania while the Mayor of Philadelphia appoints the remaining two members. The SRC exercises all powers and has all the responsibilities and duties of the original Board, along with additional powers. As prescribed, the SRC is now responsible for the overall operation, management, and educational programs of the School District, including all budgetary and financial matters. The duties of the SRC generally include, but are not limited to, the formulation of educational policy, the adoption of an annual budget, the development of a comprehensive capital improvement budget and program, and the incurrence of indebtedness. The Superintendent reports to the SRC. The Superintendent during the Fiscal Year 2015 reporting period was Dr. William R. Hite, Jr. and the Chief Financial Officer was Matthew E. Stanski.

The School District also serves as the agent for the Intermediate Unit No. 26, an entity established by the Commonwealth to provide special education, special education transportation, non-public school services and related management services.

**SCHOOL DISTRICT OF PHILADELPHIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**2. ORGANIZATION AND SCOPE**

For the fiscal year ended June 30, 2015 the School District of Philadelphia is presenting a Single Audit Report on expenditures of federal awards. This report is issued in accordance with the Single Audit Act Amendments of 1996 (P.L. No. 104-156). This Act requires that a single audit be performed on an organization-wide basis rather than a grant program basis. The U.S. Department of Health and Human Services, National External Audit Review Center has been designated the organization-wide cognizant agency for the School District of Philadelphia's single audit.

**3. MAJOR PROGRAMS**

Major federal programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

**4. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Special Education_ Grants to States	84.027	\$6,511,070
Race to the Top	84.413	\$45,402
Head Start	93.600	<u>\$21,443,815</u>
<b>Total Amount Provided to Subrecipients</b>		<u>\$28,000,287</u>

**5. SCHEDULE OF PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES  
EXPENDITURES**

<u>CFDA No.</u>	<u>Program Description</u>	<u>Federal Expenditures</u>
	<u>Medical Assistance Program</u>	
93.778	Medical Assistance Program passed through DHS	<u>\$ 758, 948</u>
	<b>Total DHS Expenditures</b>	<u>\$ 758, 948</u>

**SCHOOL DISTRICT OF PHILADELPHIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**6. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Information contained in the Schedule of Expenditures of Federal Awards (SEFA) is derived from the School District's accounting systems. For reporting purposes, the School District adheres to the significant accounting policies which are in conformance with generally accepted accounting principles (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board. Program expenditures recorded in the SEFA are presented on the modified accrual basis of accounting.

**7. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CFDA #10.555 - NATIONAL SCHOOL LUNCH PROGRAM**

Information contained in the Schedule of Expenditures of Federal Awards (SEFA) for CFDA #10.555 – National School Lunch Program – includes Non-Cash Assistance pertaining to food commodities distributed by the United States Department of Agriculture (USDA). For fiscal years beginning July 1, 2008, commodities are identified with the programs under which USDA donated the commodities. Prior to this period, commodities were presented under a separate CFDA number (#10.550), which has been deleted by the USDA.

## **Section III.**

# **Independent Auditor's Reports on Compliance and Internal Control**





# CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER  
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ALAN BUTKOVITZ  
City Controller

GERALD V. MICCIULLA  
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 Chair and Members of  
The School Reform Commission 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, 2015, 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 17, 2016.

### **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) to determine the 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.

CITY OF PHILADELPHIA  
OFFICE OF THE CONTROLLER

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 may exist that have not been identified.

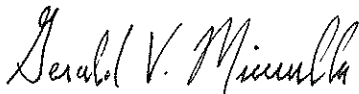
**Compliance and Other Matters**

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 determination of financial statement amounts. 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*.

We noted certain conditions that are not required to be reported under *Government Auditing Standards*, but nonetheless represent deficiencies in internal control that should be addressed by management. These other conditions will be reported to management of the School District of Philadelphia in a separate letter.

**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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



GERALD V. MICCIULLA  
Deputy City Controller  
Philadelphia, Pennsylvania  
February 17, 2016



# CITY OF PHILADELPHIA

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ALAN BUTKOVITZ  
City Controller

GERALD V. MICCIULLA  
Deputy City Controller

## INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

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

We have audited the School District of Philadelphia, Pennsylvania's (School District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 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, 2015. 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.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

CITY OF PHILADELPHIA  
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program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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

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, 2015.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. However, we have included our comments to the School District's responses that we believe do not adequately address our findings and recommendations.

### **Report on Internal Control over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the School District's internal control over compliance.

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 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.

Our consideration of internal control over compliance 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

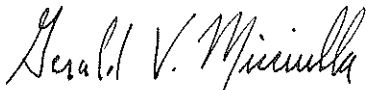
CITY OF PHILADELPHIA  
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compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements which collectively comprise the School District's basic financial statements. We issued our report thereon dated February 17, 2016, 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 OMB Circular A-133 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 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.



GERALD V. MICCIULLA, CPA  
Deputy City Controller  
Philadelphia, Pennsylvania  
March 16, 2016

**Section IV.**

**Schedule of Findings**

**and**

**Questioned Costs**

**SCHOOL DISTRICT OF PHILADELPHIA**  
**Schedule of Findings and Questioned Costs – June 30, 2015**

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**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 programs:

Material weakness(es) identified? \_\_\_\_ yes     X  no  
Significant deficiency(ies) identified? \_\_\_\_ yes     X  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 Circular A-133, Section .510(a) of OMB Circular A-133?  X  yes    \_\_\_\_ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
84.010	Title I Grants to Local Educational Agencies
84.048	Career and Technical Education – Basic Grants to States
84.365	English Language Acquisition State Grants
84.413	Race to the Top

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

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

***SCHOOL DISTRICT OF PHILADELPHIA***  
***Schedule of Findings and Questioned Costs – June 30, 2015***

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<u>Finding</u> <u>No.</u>		<u>Page</u>	<u>Questioned</u> <u>Costs</u>
<u>Section II – Financial Audit Findings</u>			
None			
<u>Schedule III – Federal and Pennsylvania Department of Human Services</u> <u>Findings and Questioned Costs</u>			
2015-001	Cash Management	3	
	Title 1 Grants to Local Educational Agencies – CFDA #84.010		
	Career and Technical Education – Basic Grants to States – CFDA #84.048		
	English Language Acquisition State Grants – CFDA #84.365		



***SCHOOL DISTRICT OF PHILADELPHIA***

***Federal and PA. Department of Human Services and Questioned Costs – June 30, 2015***

**2015- 001. CASH MANAGEMENT**

**Title I Grants to Local Educational Agencies – CFDA #84.010  
Career and Technical Education – Basic Grants to States – CFDA #84.048  
English Language Acquisition State Grants – CFDA #84.365**

**Condition:** During fiscal year 2015, the School District earned interest on federal cash balances associated with the above three programs, but it did not remit the interest back to the Pennsylvania Department of Education (PDE). Moreover, it did not properly calculate the interest amounts earned. According to management’s calculations, the District earned \$583 in interest income for all its federal grants. We believe the correct amount of interest earned and remitted for the grants should have been at least \$51,467, of which \$43,264 applied to Title I.

**Criteria:** Federal regulations at 34 CFR 80.21(i) require that grantees and subgrantees promptly, but at least quarterly, remit interest earned on advances. In computing the amount of interest earned on federal cash balances, the district should be using the average daily balance method; it should not be netting grants against those with negative cash balance amounts. Federal law and regulation do not contain provisions for the temporary use of cash from other available resources to pay grant costs when grant cash shortfalls exist.

**Cause:** School District management has not made it a priority to remit interest on a regular basis. However, during fiscal year 2015 we did note that the District disbursed \$722,365 representing the recorded amounts of interest income earned on federal grant funds for fiscal years 2009 through 2014. As to the methodology for computing interest, management used expenditure data for interest calculations even though it includes amounts that have not yet been disbursed from the District’s cash accounts. Management also finds it acceptable to offset grants having advances against other grants with shortfalls for which it must seek reimbursement from the grantor.

**Effect:** The School District earned and improperly retained interest on cash balances during fiscal 2015 in violation of federal cash management regulations.

**Recommendation:** The School District should properly calculate and remit interest earned on advances to the grantor agency on a quarterly basis, as required by federal regulations.

**Grantee’s Response:** The School District of Philadelphia (SDP) has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMNI Circular 200.305. Most recently, SDP updated its policy in April 2015 in order to meet new requirements as prescribed in 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

Based on three sources, including the Los Angeles Unified School District’s Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances OIG Audit Report (A09H0019) issued December 2008, the US Department of Education’s Office of the Chief Financial Officer Program Determination Letter to the California Department of Education issued July 21, 2014 and the Omni Circular 200.305(b)(7)(i), federal programs do not require LEAs to calculate or return interest earned on Federal cash balances on a grant-by-grant basis. The exact quote from the PDL is, “There is no regulatory or ED requirement that requires states or LEAs to return interest earned on Federal funds on a program-by-program or grant-by-grant basis.”

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

### ***Federal and PA. Department of Human Services and Questioned Costs – June 30, 2015***

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Furthermore, according to the OMNI Circular 200.305(b)(9), which went into effect for fiscal years ended after December 31, 2014, interest earned on federal advance payments must be remitted annually, not quarterly and up to \$500 per year may be retained for administrative expense.

SDP calculates cash balances per program and in total for advanced indirect federal grants by using daily expenditures and daily cash receipts on which to calculate the interest due. Negative cash balances at the end of each day are reset to zero to ensure non federal funds do not offset federal interest earnings due to the temporary use of these resources. In October 2013, SDP updated its interest calculation policy from using obligations to expenditures. This change was based upon previous recommendations from our auditors as well as the auditor's calculation used in prior audit findings as recently as Fiscal Year 2013.

In further support of using expenditures, the SDP received a response from the U.S. Department of Education (USDE), Office of the Chief Financial Officer, in response to a 90 Day Letter dated June 5, 2013 pursuant to 34 CFR 81.33 asking for clarification of the calculation of interest earned on federal funds. According to the USDE response, it indicates that interest must be calculated "between the transfer of funds and *disbursement* by the grantee or subgrantee." EDGAR does not define disbursement. However, the Cash Management Improvement Act (CMIA), which governs cash management between the federal government and states, defines "disburse" as: "to issue a check or initiate an electronic funds transfer payment". See 31 CFR 205.2. Philadelphia's current methodology calculates interest through disbursement consistent with this definition. Likewise, this is the methodology used by districts in California and approved by USDE.

The SDP has calculated the interest earned for all advanced indirect federal funds using SDP's aforementioned October 2013 updated methodology and on April 6, 2015 remitted payment covering the time periods July 1, 2008 through June 30, 2014 in the amount of \$722,364.90. Using this methodology the District earned \$563 of interest for all advanced indirect federal funds for the time period July 1, 2014 to July 30, 2015. The District will remit the \$63 above the \$500 amount allowed by March 31, 2016.

The SDP maintains its position that it is calculating the interest earned on advanced indirect federal funds correctly, based on the directions of 2 CFR 200.305.

**Auditor's Comments on Grantee's Response:** Our audit was conducted to test compliance with the regulations mandated by contractual terms and conditions in effect as of the period under audit. In its response, we believe the School District has taken several sources out of context. More specifically, the School District:

- confused the requirement to calculate interest income earned on advances of federal funds for each grant with federal instructions that allow a single remittance of interest income for a combination of grants versus individual remittances for each grant;
- inaccurately defined the term "disbursements" as transactions recorded on the books of the School District instead of actual transfers of funds reflected in the bank account; and

***SCHOOL DISTRICT OF PHILADELPHIA***

***Federal and PA. Department of Human Services and Questioned Costs – June 30, 2015***

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- remitted funds purported to represent the entire balance of interest income earned on advances of federal funds accumulated over several prior years, however, we found no evidence of periodic monitoring or remittance of current year interest earnings during our audit.

## **Section V.**

### **Summary Schedule of**

### **Prior Audit Findings**

**SCHOOL DISTRICT OF PHILADELPHIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

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**2014-001. ALLOWABLE COSTS / COST PRINCIPLES**

**CFDA # 84.010**                      **Status: Unresolved**                      Questioned Costs: \$125,171  
Resolution Agency: **PA Department of Education**  
Condition

Our review of costs associated with teachers funded under Title I disclosed one teacher routinely falsifying her daily timesheet records. We observed the Title I non-public Instructional Support (IS) teacher recording hours for which she was not present on a Daily Attendance Register for a private elementary school. We noted this condition during visits made to the school. In addition, we noted that this teacher was frequently late for class, and maintained her daily time sheet in her office rather than in the school's main office as required by School District procedures.

Follow-up of this condition in the fall of 2014 disclosed that the teacher had been reassigned to a parochial high school, where much of the teacher's behavior pattern remained unchanged. On the day of our unannounced visit to the school, the teacher was an hour late, which resulted in the classroom being unattended for fifteen minutes. Additional discussions with a student at the school disclosed that tutoring time assigned with the teacher was often spent unsupervised.

Because of the above conditions, we consider records of the teacher's attendance to be unreliable and deem the individual's entire salary for fiscal year 2014 to be invalid and not eligible as a grant expenditure. Funding for the Title I program is received through the Pennsylvania Department of Education.

Update 2015:

Immediately upon notification of this particular employee's situation, the District took the appropriate steps allowable per the Philadelphia Federation of Teacher (PFT) contract. As part of these steps, an investigatory meeting was held in October 2014, and a subsequent Unsatisfactory Incident Report was filed to become part of the employee's permanent record. The employee was subsequently diagnosed with a medical condition. Regardless, the employee was instructed to maintain her School District sign in sheets accurately in the school's office. Based upon the additional evidence provided by the City Controller's Office and observations from the current Principal, the District is pursuing additional progressive discipline measures allowable per the PFT contract.

In the 2015-16 school year, the SDP is moving towards a dual service delivery model regarding Title I services. A substantial portion of the service will be provided by external contractors, whereas a much smaller portion of the service compared to prior years will be performed by District teachers. Regardless of the personnel / entity performing the service, all non-public school principals will be periodically questioned regarding personnel attendance, and a system of periodic, unannounced school visits will be implemented. The SDP does not accept this type of behavior by any employees paid out of Title I funds, whether it is at a District school or a non-public school.

**SCHOOL DISTRICT OF PHILADELPHIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

The School District of Philadelphia continues to closely monitor this situation and service delivery effectiveness for external and internal staff.

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**2014-002. CASH MANAGEMENT**

<b>CFDA # 84.010</b>	<b>Status: Unresolved</b>	<b>Questioned Costs: \$0.00</b>
<b>CFDA # 84.027</b>	<b>Status: Unresolved</b>	<b>Questioned Costs: \$0.00</b>
<u>Resolution Agency</u>	<b>PA Department of Education</b>	
<u>Condition</u>		

The School District did not properly calculate or remit interest earned on advances received from the Pennsylvania Department of Education (PDE). Management informed us that the grantor had remitted funds to the School District at its discretion, and not based on requests for reimbursements. This method of remitting grant funds resulted in various programs being pre-funded, and in our opinion, constituted advances to the District in fiscal year 2014. Further, the computation of the available cash balances for investment netted individual month end programs' balances and relied on the use of expenditures, rather than actual cash disbursements. That is, advances are defined by net balances recorded in the School District accounting records, and not based on actual cash balances available for investment. Based on our interpretation of the regulations, the District did not remit interest earned on advances received from the PDE.

2015 Update:

The School District of Philadelphia (SDP) has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMB Circular A-87.

Based on three sources, including the Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances OIG Audit Report (A09H0019) issued December 2008, the US Department of Education's Office of the Chief Financial Officer Program Determination Letter to the California Department of Education issued July 21, 2014 and the Omni Circular 200.305(b)(7)(i), federal programs do not require LEAs to calculate or return interest earned on Federal cash balances on a grant-by-grant basis. The exact quote from the PDL is "There is no regulatory or ED requirement that requires states or LEAs to return interest earned on Federal funds on a program-by-program or grant-by-grant basis. Under the subfund concept, COE reports could contain information LEAs need to determine and remit the actual interest earned on all Federal cash advances."

Furthermore, according to the Omni Circular 200.305(b)(9), interest earned on federal advance payments must be remitted annually, not quarterly.

SDP calculates cash balances per program and in total for advanced indirect federal grants by using monthly expenditures and monthly cash receipts on which to calculate the interest due. Negative cash balances at the end of each period are reset to zero to ensure non federal funds do not offset federal interest earnings due to the temporary use of these resources. SDP updated its policy in October 2013 to change from using

**SCHOOL DISTRICT OF PHILADELPHIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2015**

obligations to expenditures. This change was based upon previous recommendations from our auditors as well as the auditor's calculation used in prior audit findings as recently as Fiscal Year 2013.

In further support of using expenditures, the SDP received a response from US Department of Education, Office of the Chief Financial Officer, in response to a 90 Day Letter dated June 5, 2013 pursuant to 34 CFR 81.33 asking for clarification of the calculation of interest earned on federal funds. According to the USDE response, it indicates that interest must be calculated "between the transfer of funds and *disbursement* by the grantee or subgrantee." EDGAR does not define disbursement. However, the Cash Management Improvement Act (CMIA), which governs cash management between the federal government and states, defines "disburse" as: "to issue a check or initiate an electronic funds transfer payment". See 31 CFR 205.2. Philadelphia's current methodology calculates interest through disbursement consistent with this definition. Likewise, this is the methodology used by districts in California and approved by US Department of Education.

SDP has calculated the interest earned for all advanced indirect federal funds using SDP's aforementioned October 2013 updated methodology and on April 6, 2015 remitted payment covering the time periods July 1, 2008 through June 30, 2014 in the amount of \$722,364.90.

SDP still believes it is calculating the interest earned on advance grants correctly, based on the directions of the OMB OMNI circular. The SDP strengthened the preciseness of the interest earned calculation by updating its methodology to use the average daily balance of each advance grant, as compared to the month-end balance, as used in previous years.

SDP most recently updated its policy in April 2015 in order to meet the requirements of 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

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**2013-001: ALLOWABLE COSTS / COST PRINCIPLES**

<b>CFDA # 17.261</b>	<b>Status: Resolved</b>	<b>Questioned Costs: \$187,211</b>
<b>CFDA # 17.270</b>	<b>Status: Resolved</b>	<b>Questioned Costs: \$91,785</b>

**Resolution Agency:** U.S. Department of Labor

**Condition:**

The School District used federal funds to pay \$278,996 in salaries and benefits not documented in accordance with federal regulations. For four of thirty-six employees tested, the School could not provide periodic time and effort certifications. Those certifications are required from employees or supervisory personnel on a semi-annual basis. Funding for the WIA Pilots, Demonstrations, and Research Projects, and the Reintegration of Ex-Offenders programs is received from the U.S. Department of Labor.

**SCHOOL DISTRICT OF PHILADELPHIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2015**

2015 Update:

The School District agrees with this finding. FY13 was the first full year of the implementation of policies and procedures pursuant to a Grant Corrective Action Plan agreed to between the SDP, PDE and ED. As such, there was heightened scrutiny on the documentation requirements from all parties, including the program personnel that operated the Department of Labor (DOL) WIA program. Therefore, the documentation was produced and verified contemporaneously. However, due to frequent turnover in direct DOL grant management staff and higher level supervisors, the custody of documentation, while improved from past practices, was not to the standard expected.

In FY14, to strengthen the control and custody of documentation District-wide, the Office of Grant Development and Compliance began the real time review for presence and subsequent collection and scanning into an archived database all time and effort documentation and related materials typically requested during an audit. This is a vast improvement to meeting School District obligations to assure Federal dollars are expended in a compliant manner as intended. In addition, the District has requested the names of the four employees at issue to reconstruct the missing documentation.

The School District was notified on May 11, 2015 that the corrective actions concerning the administrative findings are accepted and will be monitored to ensure the effective implementation. The cost of \$278,996 is allowed

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**2013-002: CASH MANAGEMENT**

**CFDA # 84.367**                      Status: **Resolved**                      Questioned Costs: \$479,259

**CFDA # 84.352**                      Status: **Unresolved**                      Questioned Costs: \$80,380

Resolution Agency: PA Department of Education

Condition:

Over a period of nine fiscal years (2004 to 2012), the School District has withheld \$559,639 in unspent and unobligated grant funding due to the grantor agency for grants received under the Title II, Improving Teacher Quality State Grants and the School Renovation, IDEA and Technology Grant. School District grant analysts prepared various financial reports to the grantor agency that erroneously over reported expenditures of grant funds received from the Title II, Improving Teacher Quality Program by \$479,259. In addition, the School District withheld unexpended grant funds of \$80,380 pertaining to the School Renovation, IDEA and Technology Grant. Of the amounts withheld from the grantor agencies, the School District transferred \$236,342 to its general fund. Funding for these grants is received through the Pennsylvania Department of Education.

2015 Update:

For CFDA #84.367, the School District returned \$156,242.53 of unspent funds for the grant awards which are FY 2006-2007 or after and the SDP also returned \$324,128.00 of unspent funds in FY 2015 for a total of \$480,370.53. Final expenditure reports were submitted and based on the final reports, the amounts slightly changed. The matter is resolved.



**SCHOOL DISTRICT OF PHILADELPHIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

For CFDA #84.352, the School District is waiting resolution from PDE.

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**2013-003. CASH MANAGEMENT**

<b>CFDA # 84.010</b>	<u>Status:</u> <b>Unresolved</b>	<u>Questioned Costs:</u> \$ 24,060
<b>CFDA # 84.367</b>	<u>Status:</u> <b>Unresolved</b>	<u>Questioned Costs:</u> \$ 3,214
<b>CFDA # 84.388</b>	<u>Status:</u> <b>Unresolved</b>	<u>Questioned Costs:</u> \$ 2,441

Resolution Agency: PA Department of Education

Condition:

The School District did not properly calculate or remit interest earned on advances received from the Pennsylvania Department of Education. Management informed us that the grantor had remitted funds to the School District at its discretion, and not based on requests for reimbursements. This method of remitting grant funds resulted in various programs being pre-funded, and in our opinion, constituted advances to the District in fiscal year 2013. Based on our interpretation of the regulations, a sample calculation determined that the School District did not remit \$29,715 in interest earned on advances received for the Title I Grants to Local Educational Agencies (Title I), the Improving Teacher Quality State Grants, and the School Improvement Grants, Recovery Act. Funding for these grants is received through the Pennsylvania Department of Education.

2015 Update:

The School District of Philadelphia (SDP) has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMB Circular A-87.

Federal regulations applicable to U.S. Department of Education (ED) federal programs do not require LEAs to return interest earned on Federal cash balances on a grant-by-grant basis. *See* Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances, OIG Audit Report A09H0019, December 2008.

In further support that ED does not require interest to be calculated on a grant-by-grant basis, on July 21, 2014, the U.S. Department of Education's Office of the Chief Financial Officer issued a PDL (Program Determination Letter) to the California Department of Education that its cash management issues had been resolved. In this PDL, ED indicates that one possible way for LEA's in California to comply with the Federal interest requirement is to calculate interest on a "subfund" basis that identifies the cash balances for all Federal programs (non-Federal programs are not included). The exact quote from the PDL is "There is no regulatory or ED requirement that requires states or LEAs to return interest earned on Federal funds on a program-by-program or grant-by-grant basis. Under the subfund concept, COE reports could contain information LEAs need to determine and remit the actual interest earned on all Federal cash advances." See PDL p.25. Therefore, the subfund concept allows LEAs to both determine and remit the interest due on all Federal education programs in the aggregate.

**SCHOOL DISTRICT OF PHILADELPHIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR ENDED JUNE 30, 2015**

In addition, the new Omni Circular supports SDP's methodology of pooled ED federal cash advances by stating that "the Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-federal entity". See Omni Circular 200.305(b)(7)(i). Therefore, cash amounts held in the bank are not required for this calculation.

SDP calculates cash balances per program and in total for indirect federal grants by using monthly expenditures and monthly cash receipts on which to calculate the interest due. Negative cash balances at the end of each period are reset to zero to ensure non federal funds do not offset federal interest earnings due to the temporary use of these resources. SDP updated its policy on October 28, 2013 to change from using obligations to expenditures. This change is consistent with past recommendations from our auditors. The SDP has calculated the interest earned for all federal funds using the methodology and remitted payment for all prior years on April 6, 2015.

The SDP still believes it is calculating the interest earned on advance grants correctly, based on the directions of the OMB OMNI circular. The SDP strengthened the preciseness of the interest earned calculation by updating its methodology to use the average daily balance of each advance grant, as compared to the month-end balance, as used in previous years.

SDP most recently updated its policy in April 2015 in order to meet the requirements of 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

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**2013-004: REPORTING**

**CFDA # 84.010**                      Status: **Unresolved**                      Questioned Costs: N/A

Resolution Agency: PA Department of Education

Condition:

The School District's 2011 Final Completion Report for the Title I Grants to Local Educational Agencies Program - Part A (Title I), did not agree with the underlying accounting records. Indirect costs were overstated by \$159,056. Moreover, the District had not finalized the report, which was due to the Pennsylvania Department of Education (PDE) by November 1, 2012. Funding for the Title I program is received through the PDE.

2015 Update:

The School District continues to reduce the time it takes to complete the Final Expenditure Report for Title I. The report was submitted to the Pennsylvania Department of Education (PDE) on their e-grants system.

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**2012-03: CHILD AND ADULT CARE FOOD PROGRAM**

**SCHOOL DISTRICT OF PHILADELPHIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2015**

**CFDA # 10.558**

**Status: Resolved**

**Questioned Costs: \$497**

Resolution Agency: PA Department of Education

Condition:

The School District did not maintain adequate records for the Child and Adult Care Food Program (CACFP). This program provides meals to children participating in after-school learning programs. We found that at five schools, 166 of the 1,121 meals selected for testing were submitted for reimbursement without supporting attendance records. We were informed by School District management that for the Twilight Feeding portion of the CACFP, activities were carried out by both school based District educational staff and by various outside agencies. Only those activities carried out by School District personnel failed to compile and maintain the required attendance records. Funding for this grant is received through the Pennsylvania Department of Education.

Effective for the 2012/2013 school year, the District's Food Service Department management implemented stronger compensating internal controls to ensure that schools with Twilight Feeding programs are maintaining proper records of daily attendance. The effects will not be apparent until the Fiscal Year 2013 Single Audit. Food Services completes identical grant compliance training for both internal and external after-school providers, including requiring signed statements from applicable staff that retention of daily attendance records is mandatory. In addition, Food Services require both third party vendor and District personnel who will be serving students to sign checklists at the beginning of the school year that they understand and will comply with program documentation requirements. Periodically during the year Food Services will monitor samples of record keeping at schools with Twilight Feeding programs to ensure compliance with federal requirements and ensure appropriate corrective actions are taken.

2015 Update:

No adverse findings were noted by the PA Department of Education for the Child and Adult Care Food Program (CACFP) administered by the Food Services Division during their subsequent reviews for the 2013/2014 and 2014/2015 school years.

During the Fiscal Year 2013 audit, the auditors reviewed this program and had no similar findings. The School District believes the control weakness related to this program has been corrected. The School District is awaiting resolution by grantor.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2012-04: AMERICAN RECOVERY AND REINVESTMENT ACT GRANTS**

**CFDA # 84.386, # 84.388, # 84.389, # 84.391, # 84.410** **Status: Resolved** **Questioned Costs: \$0**

Resolution Agency: PA Department of Education

Condition:

The School District did not report on the use of American Recovery and Reinvestment Act (ARRA) funds as required by grant terms and conditions. The Pennsylvania

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Department of Education delegated the responsibility to submit quarterly reports detailing the number of jobs created and actual expenditures under ARRA grants to the School District. We found that the School District did not file any ARRA mandated reports during fiscal year 2012.

2015 Update:

Management reviewed ARRA reporting requirements and met with the School District personnel involved with ARRA funds to ensure that they understand the ARRA reporting and filing requirements. In addition, the majority of the ARRA mandated reports for fiscal year 2012 have been filed.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2012-05: ALL PROGRAMS**

**CFDA # All Programs**                      **Status: Resolved**                      Questioned Costs: \$0  
Resolution Agency: U. S. Department of Health and Human Services Cognizant Agency  
Condition:

The School District did not submit an acceptable audit reporting package to the Federal Audit Clearinghouse on a timely basis. We found that the School District did not file the mandated reports within nine months after year end or obtain an extension of time from the federal cognizant agency within which to file the reports.

2015 Update:

The successful collaboration between the School District of Philadelphia (SDP) and our auditors has resulted in the completion of Fiscal Year 2014 Single Audit fieldwork (audit report opinion date) on March 31, 2015. Measures have already been taken that management believes are appropriate to accommodate the audit process and will result in the more timely submission of this and future audit reports. Management has expedited time-lines for the completion of information and related deliverables by devoting more District resources to those tasks. The City of Philadelphia Controller's Office has also devoted more resources to conduct both the Single and Financial Audits of the District.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2012-06: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES**

**CFDA #84.010**                      **Status: Resolved**                      Questioned Costs: \$17,747  
Resolution Agency: PA Department of Education  
Condition:

The School District did not calculate or remit interest earned on advances received from the Pennsylvania Department of Education. Management informed us that the grantor had remitted funds to the School District at its discretion, and not based on requests for

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reimbursements. This method of remitting grant funds resulted in various programs being pre-funded, and in our opinion, constituted advances to the District in fiscal year 2012. Based on our interpretation of the regulations, a sample calculation determined that the School District did not remit \$17,747 in interest earned on advances received solely for the Title I Grants to Educational Agencies. Funding for this grant is received through the Pennsylvania Department of Education.

2015 Update:

The School District of Philadelphia has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMB Circular A-87. Federal regulations applicable to ED programs do not require LEAs to return interest earned on Federal cash balances on a grant-by-grant basis. *See* Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances, OIG Audit Report A09H0019, December 2008. Accordingly, interest may be calculated and remitted on all Federal education programs in the aggregate.

On June 5, 2013, the District submitted a 90 Day Letter pursuant to 34 C.F.R. § 81.33 to the Secretary of Education at the United States Department of Education (ED) seeking guidance regarding the calculation of interest. The SDP received ED's response on September 6, 2013. The SDP revised Policy GP2000 "Calculating and Remitting Interest" and related procedures on October 28, 2013 based on this guidance to ensure the proper calculation and quarterly remittance of interest earned on advances, as required by federal regulations. The SDP has calculated the interest earned for all federal funds using the methodology and remitted payment for all prior years on April 6, 2015.

The SDP still believes it is calculating the interest earned on advance grants correctly, based on the directions of the OMB OMNI circular. The SDP strengthened the preciseness of the interest earned calculation by updating its methodology to use the average daily balance of each advance grant, as compared to the month-end balance, as used in previous years.

SDP most recently updated its policy in April 2015 in order to meet the requirements of 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2012-07: ENGLISH LANGUAGE ACQUISITIONS STATE GRANTS**

**CFDA #84.365**

Status: **Resolved**

Questioned Costs: \$40,612

Resolution Agency: PA Department of Education

Condition:

The School District used federal funds from the English Language Acquisition State Grants to pay \$40,612 in salaries and benefits to an employee in violation of the federal

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requirements on allowable costs. The employee's salary and benefits were charged to the grant even though the employee's job duties did not represent allowable activities. Funding for the English Language Acquisition State Grants is received through the Pennsylvania Department of Education.

2015 Update:

Procedures were implemented beginning in Fiscal Year 2013 to periodically review personnel charged to federal grants to ensure compliance and make adjustments as necessary. The School District is awaiting resolution by grantor.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2011-04: CHILD AND ADULT CARE FOOD PROGRAM**

**CFDA #10.558**

Status: **Resolved**

Questioned Costs: \$2,738

Resolution Agency: PA Department of Education

Condition:

The School District did not maintain adequate records for the Child and Adult Care Food Program (CACFP). This program provides meals to children participating in after-school learning programs. Our testing found that 937 of 1,749 meals tested were submitted for reimbursement without supporting daily attendance records. We were informed by School District management that for the Twilight Feeding portion of the CACFP, some activities were carried out by School District personnel while others were carried out by outside agencies. Only those activities carried out by School District personnel failed to collect and maintain the required attendance records. Funding for this grant is received through the Pennsylvania Department of Education.

2015 Update:

Effective for the 2012/2013 school year, the District's Food Service Department management implemented stronger compensating internal controls to ensure that schools with Twilight Feeding programs are maintaining proper records of daily attendance. The effects will not be apparent until the Fiscal Year 2013 Single Audit. Food Services completes identical grant compliance training for both internal and external after-school providers, including requiring signed statements from applicable staff that retention of daily attendance records is mandatory. In addition, Food Services require both third party vendor and District personnel who will be serving students to sign checklists at the beginning of the school year that they understand and will comply with program documentation requirements. Periodically during the year Food Services will monitor samples of record keeping at schools with Twilight Feeding programs to ensure compliance with federal requirements and ensure appropriate corrective actions are taken.

During the Fiscal Year 2013 audit, the auditors reviewed this program and had no similar findings. The School District believes the control weakness related to this program has been corrected. The School District is awaiting resolution by grantor.

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Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2011-08: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES**

**CFDA #84.389, #84.010**                      Status: **Resolved**                      Questioned Costs: \$39,789

Resolution Agency: PA Department of Education

Condition:

The School District did not remit \$39,789 in interest earned on advances received for the Title I Grants to Local Educational Agencies, Recovery Act (Title I, ARRA) and the Title I Grants to Local Educational Agencies (Title I). The grantor had remitted funds to the School District at its discretion, and not based on requests for reimbursement by the School District. This resulted in various programs being pre-funded, which we believe constituted advances to the School District. Funding for these grants is received through the Pennsylvania Department of Education (PDE).

2015 Update:

The School District of Philadelphia has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMB Circular A-87.

Federal regulations applicable to ED programs do not require LEAs to return interest earned on Federal cash balances on a grant-by-grant basis. *See* Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances, OIG Audit Report A09H0019, December 2008. Accordingly, interest may be calculated and remitted on all Federal education programs in the aggregate.

On June 5, 2013, the District submitted a 90 Day Letter pursuant to 34 C.F.R. § 81.33 to the Secretary of Education at the United States Department of Education (ED) seeking guidance regarding the calculation of interest. The SDP received ED's response on September 6, 2013. The SDP revised Policy GP2000 "Calculating and Remitting Interest" and related procedures on October 28, 2013 based on this guidance to ensure the proper calculation and quarterly remittance of interest earned on advances, as required by federal regulations. The SDP has calculated the interest earned for all federal funds using the methodology and remitted payment for all prior years on April 6, 2015.

The SDP still believes it is calculating the interest earned on advance grants correctly, based on the directions of the OMB OMNI circular. The SDP strengthened the preciseness of the interest earned calculation by updating its methodology to use the average daily balance of each advance grant, as compared to the month-end balance, as used in previous years.

SDP most recently updated its policy in April 2015 in order to meet the requirements of 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

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Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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**2010-04: TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES-RECOVERY ACT,  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES,  
SCHOOL IMPROVEMENT GRANTS**

**CFDA # 84.389, # 84.010 and # 84.377**      Status: **Resolved**      Questioned Costs: \$0

Resolution Agency: PA Department of Education

Condition:

The School District did not remit \$ 93,116 in interest earned on advances received for the Title I Grants to Local Education Agencies, Recovery Act (Title I, ARRA), the Title I Grants to Local Educational Agencies (Title I), and the School Improvement Grants to the grantor agency. Funding for these grants is received through the Pennsylvania Department of Education (PDE).

2015 Update:

The School District of Philadelphia has reviewed the federal rules regarding interest earned requirements and calculations and has implemented policies and procedures consistent with OMB Circular A-87.

Federal regulations applicable to ED programs do not require LEAs to return interest earned on Federal cash balances on a grant-by-grant basis. *See* Los Angeles Unified School District's Procedures for Calculating and Remitting Interest Earned on Federal Cash Advances, OIG Audit Report A09H0019, December 2008. Accordingly, interest may be calculated and remitted on all Federal education programs in the aggregate.

On June 5, 2013, the District submitted a 90 Day Letter pursuant to 34 C.F.R. § 81.33 to the Secretary of Education at the United States Department of Education (ED) seeking guidance regarding the calculation of interest. The SDP received ED's response on September 6, 2013. The SDP revised Policy GP2000 "Calculating and Remitting Interest" and related procedures on October 28, 2013 based on this guidance to ensure the proper calculation and quarterly remittance of interest earned on advances, as required by federal regulations. The SDP has since recalculated the interest earned in accordance with the revised policy and remitted payment for all prior years on April 6, 2015.

SDP most recently updated its policy in April 2015 in order to meet the requirements of 2 CFR 200.305. These policy changes went into effect for all grants awarded on or subsequent to December 26, 2014.

Findings do not warrant further action in accordance with provisions of section .315 (b) (4) of OMB Circular A-133.

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## **Section VI.**

# **Corrective Action Plan**

**The Corrective Action Plan can be found in the ‘Grantee’s Response’ section of each audit finding. The contact person for questions related to the Plan is Joseph D’Alessandro, Chief Grant Development and Compliance Officer. (Phone: (215) 400-6540).**