

Appendix A



COMMONWEALTH OF PENNSYLVANIA PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

Act 44 Auditee Reporting Form (School District Audits)

The Department of the Auditor General provides this form for every school district to report its adoption of the Department's recommendations in its most recent audit pursuant to Act 44 of 2017 amendments to The Fiscal Code regarding Auditee reporting requirements and the Department's STATEMENT OF POLICY and FORM in 4 Pa. Code Part XIV published in the Pennsylvania Bulletin on February 10, 2018.

Within **120 business days** of the publication of the audit listed below, the school district must submit a response to the Department detailing the adoption of the Department's recommendations, or the reason why recommendations have not been adopted.

AUN: School: CAN:
Audit Period: Findings: Recommendations:

District Response: (Textbox below will expand or attachments can be added as necessary)

Finding #1: The District and Its Board Failed to Establish a Sound Control Environment, Which Resulted in Noncompliance and other Issues in Several areas:

The district hired an Assistant Director of Finance in 2020 and a Transportation Technician in 2019 which resulted in better processes and internal controls being developed so that the flow of information is handled and reconciled by multiple people. The district acknowledges that numerous PlanCon reimbursements were not filed in a timely manner, resulting in a delay of subsidy reimbursement to the district, which could have affected multiple years budgeting. The new Director of Finance has already filed for reimbursements back to 2014-15 and have received acknowledgment from PDE that the reimbursements have been approved and are ready for payment. The business office has also developed and enacted a policy that as soon as the Director completes payment for outstanding bonds, the assistant director files for the reimbursement subsidy. The

Director then tracks those reimbursements through the Department of Education's FAI tracker for payment status to make sure reimbursements are received or accrued in the proper fiscal year. All bond payments have been paid and reimbursement have been requested for the 2020-21 fiscal year.

The district acknowledges that proper recordkeeping was not performed and no oversight from the business office was performed on the transportation subsidy. The district has already put procedures into place that all data sent between the contractor and school district will include electronic data and files to be stored and reviewed. The Supervisor of Transportation will be responsible for the tracking and inputting of all information into the PDE system for subsidy reimbursements, and the Director of Finance will be responsible for reviewing all preliminary submissions for changes and accuracy.

Beginning the start of the 2020-2021 school year, a new process was implemented for employment actions and payments including severance payments. In the past, payments and employment status changes were simply relayed from HR to the payroll clerk directly. Now a recommendation sheet is prepared with all relevant status change details including all payments made to employees. This is reviewed and signed by the HR Director and sent to the business office. Payroll reviews the document and initiates the relevant payments. The payroll reports are reviewed by the Assistant Director of Finance/Dir of Finance prior to execution of the payments to verify proper documentation and action in line with employment contracts and collective bargaining agreements

The district acknowledges that the former Director of Finance failed to provide financial statements related to field rentals and provide adequate guidance to the members of the PAC. All finances and current account balances were turned over to the district in August 2020.

The district acknowledges the larger number of nonrecurring journal entries, and cannot verify why they occurred. Current structure of the business office is to limit and fully document all journal entries along with the correct coding of revenues and expenses. Journal entries are entered by the Assistant Director of Finance and reviewed by the Director of Finance.

Finding #2: The District's failure to implement adequate internal controls resulted in the district failing to apply for \$87,028 in reimbursements from PDE for approved construction projects.

The district had no process for the filing or tracking reimbursement requests after bond payments were being made.

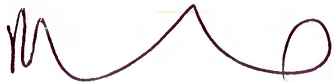
Corrective action has been completed by instituting internal controls whereby the Assistant Director of Finance tracks and creates payments of bond issuances, and the Director of Finance authorizes and approves those bond payments on the scheduled dates for the listed fiscal year in the district's summary of debt. Once the payments are completed, the Assistant Director completes the required PDE 2071 form on the PA Department of Education's CFRS site. The Director of Finance is notified of completion and tracks the payments in the PDE FAI center.

Finding #3: The district's failure to implement adequate internal controls resulted in an unauditible \$4.9 million in transportation reimbursements.

The district acknowledges that proper recordkeeping was not performed and no oversight from the business office was performed on the transportation subsidy.

The district has already put procedures into place that all data sent between the contractor and school district will include electronic data and files to be stored and reviewed. The Supervisor of Transportation will be responsible for the tracking and inputting of all information into the PDE system for subsidy reimbursements, and the Director of Finance will be responsible for reviewing all preliminary submissions for changes and accuracy.

Note: Pursuant to Section 1.5 of Act 44, if the Auditee fails to respond to the Department's recommendations within **120 business days**, the Department will notify the Governor and the Chairpersons and Minority Chairpersons of the Appropriations Committees of the Senate and the House of Representatives, which may consider an Auditee's failure to respond to the Department's audit when determining the Auditee's future appropriations.



Blake Emmanuel
Board President
Phoenixville Area School District

9/21/21

Date