
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL



Pennsylvania Auditor General



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News for Immediate Release

Aug. 12, 2021

Auditor General DeFoor: Lack of Internal Controls Increased Risk of Fraud at Phoenixville Area School District, Performance Audit Shows

HARRISBURG – Auditor General Timothy L. DeFoor today released a performance audit of the Phoenixville Area School District in Chester County that found the district’s lack of internal controls increased the risk of fraud.

The audit was shared with law enforcement officials who are investigating the potential misappropriation of funds by a former district employee.

“The school district may have been able to prevent the alleged misappropriation of funds if it had ensured its internal controls were appropriately designed and operating effectively,” DeFoor said. “I’m glad to see the district has put new safeguards in place, albeit belatedly, and is strengthening its oversight procedures.”

In reviewing records, auditors found numerous one-time journal entries created by the former employee, many of which included no descriptions and no supporting documentation. In accounting practices, a journal is used to record financial transactions before they are posted to a ledger. The audit notes the journal entries were made without review or oversight by another district official.

The audit, which covered July 1, 2015 through June 30, 2019, also found the district lacked internal controls to ensure proper compliance and reporting related to transportation and debt service reimbursement, administrator separation payout and facility rentals. Related findings included:

- Auditors could not verify the accuracy of approximately \$4 million in transportation reimbursements received from the state Department of Education during the audit period.
- A lack of controls over reporting transportation data to the state Department of Education led to a potential loss of approximately \$350,000 in reimbursements for the 2018-19 school year.
- The district failed to apply for \$87,028 in debt service reimbursements for approved construction projects from the state Department of Education.
- In reviewing payout documentation for four administrators who left the district, auditors found one administrator’s payout was \$2,154 more than allowed by the employment contract.
- Approximately \$300,000 of revenue generated by renting district facilities over a three-year period was never recorded in the district’s general ledger, but auditors did not find any discrepancies in related bank records that warranted further review.

“Our audit contains a total of 14 recommendations to help the Phoenixville Area School District strengthen its internal controls,” DeFoor said. “All school districts should have a series of checks and balances in place to make sure taxpayer dollars are not subject to fraud or abuse.”

In response to the findings, district officials said they have already begun to implement stronger internal controls and oversight procedures. DeFoor noted that his department's next audit of the school district will review the effectiveness of those corrective actions.

Review the latest [Phoenixville Area School District audit report](#) and learn more about the Department of the Auditor General online at www.PaAuditor.gov.

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