

PERFORMANCE AUDIT

The School District of Philadelphia Philadelphia County, Pennsylvania

May 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. William R. Hite, Jr., Superintendent
School District of Philadelphia
440 North Broad Street
Philadelphia, Pennsylvania 19130

Ms. Marjorie G. Neff, SRC Chairperson
School District of Philadelphia
440 North Broad Street
Philadelphia, Pennsylvania 19130

Dear Dr. Hite and Ms. Neff:

Our performance audit of the School District of Philadelphia (District) evaluated the application of best practices in the areas of academics, governance, finance, data integrity, and textbook inventory. In addition, this audit determined the District's compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements). This audit covered the period July 1, 2008 through June 30, 2014, except as otherwise stated and was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

During our audit, we found significant instances of failing to apply best practices and noncompliance with relevant requirements, as detailed in our six audit findings. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements. We appreciate the District's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink that reads "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

May 10, 2016

cc: **SCHOOL DISTRICT OF PHILADELPHIA** School Reform Commission

Table of Contents

	Page
Executive Summary	1
Background Information	3
Findings and Observations	5
Finding No. 1 - The District Faces Persistent Financial Challenges and Without Strong Legislative Support for a Commitment to Change the Current Funding Structure, Its Structural Deficit Will Remain Unresolved	5
Finding No. 2 - The District Failed to Ensure that Textbooks and Other Educational Materials were Properly Accounted for After the Closure of 23 School Buildings	20
Finding No. 3 - The District’s School Reform Commission Failed to Conduct Timely Performance Evaluations of the Superintendent and Did Not Enter into an Employment Contract with the Deputy Superintendent	28
Finding No. 4 - The District Failed to Ensure that 43 Percent of School Bus Drivers We Tested Met All Employment Requirements	34
Finding No. 5 - The District Failed to Ensure that Its School Police Officers Met All Employment Requirements and Minimum Annual Training Hours	44
Finding No. 6 - The District’s Student Data Submitted to PDE to Calculate State Subsidies and Used for Educational Decision-Making Was Not Sufficiently Reliable	56
Status of Prior Audit Findings and Observations	62
Appendix A: Audit Scope, Objectives, and Methodology	72
Appendix B: Individual School Building SPP and PSSA Scores	77
Distribution List	83

Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the District. Our audit sought to answer certain questions regarding the District's application of best practices and compliance with certain relevant state laws, regulations, contracts, and administrative procedures and to determine the status of corrective action taken by the District in response to our prior audit recommendations.

Our audit scope covered the period July 1, 2008 through June 30, 2014, except as otherwise indicated in the audit scope, objectives, and methodology section of the report.

Audit Conclusion and Results

Our audit found significant instances of failing to apply best practices and noncompliance with certain relevant state laws, regulations, contracts, and administrative procedures, as detailed in the six audit findings within this report.

Finding No. 1: The District Faces Persistent Financial Challenges and Without Strong Legislative Support for a Commitment to Change the Current Funding Structure, Its Structural Deficit Will Remain Unresolved. The District's heavy reliance on government subsidies and its restricted ability to control its local revenue streams, coupled with mandatory expenses—driven by fixed costs and rapidly rising charter school tuition—growing faster than revenue, have left the District with a persistent structural deficit (see page 5).

Finding No. 2: The District Failed to Ensure that Textbooks and Other Educational Materials were Properly Accounted for After the Closure of 23 School Buildings. In June 2013, the District simultaneously closed 23 of its school buildings. We found internal control weaknesses related to the inventory and distribution of textbooks and other educational materials from those buildings. These weaknesses caused textbooks to sit idle in storage for approximately two years, while the District ordered new textbooks when it may have already had usable books in storage, potentially creating an unnecessary cost to the District (see page 20).

Finding No. 3: The District's School Reform Commission Failed to Conduct Timely Performance Evaluations of the Superintendent and Did Not Enter into an Employment Contract with the Deputy Superintendent. The District's School Reform Commission (SRC), which performs the same functions as a typical elected school board, failed to timely establish performance criteria and conduct performance evaluations of the District Superintendent in accordance with the Superintendent's contract. In addition, the District failed to comply with the Public School Code (PSC) when it did not execute a written employment contract, which includes performance measures, with its Deputy Superintendent, who was second in command to the Superintendent (see page 28).

Finding No. 4: The District Failed to Ensure that 43 Percent of School Bus Drivers We Tested Met All Employment Requirements. The District failed to meet its statutory obligations related to the employment of individuals having direct contact with children. Specifically, we found that 21 of 49 bus drivers tested (43 percent) failed to meet at least one employment requirement. Most significantly, we found that the District used two bus drivers who were ineligible for employment based on prior criminal convictions (see page 34).

Finding No. 5: The District Failed to Ensure that its School Police Officers Met All Employment Requirements and Minimum Annual Training Hours. The District failed to ensure that its school police officers have met all employment requirements and have completed minimum annual training requirements. Specifically, we found that 16 of the 33 officers we tested (48 percent) had at least one deficiency related to the three background clearances required prior to employment of individuals having direct contact with children. Additionally, we found that the District continues to employ new officers that have not completed the Municipal Police Officers' Education and Training Program (MPOETP), despite the recommendation made in our prior audit to hire individuals who already have completed the MPOETP. Finally, we found that not all officers had completed 12 hours of annual continuing education training, which is the minimum number of hours required to maintain the MPOETP certificate (see page 44).

Finding No. 6: The District's Student Data Submitted to PDE to Calculate State Subsidies and Used for Educational Decision-Making Was Not Sufficiently Reliable. The District's student data electronically submitted to PDE for the 2012-13 reporting year was not supported in many cases by source documentation, and we therefore concluded that the data was not sufficiently reliable. Specifically, we found a lack of permanent student records to support data submitted to PDE. We also found discrepancies between attendance reports and classroom roll sheets. Consequently, the District did not supply PDE with complete and accurate student data for usage in average daily membership and average daily attendance calculations. The District's failure to maintain accurate student data has been a continual problem, as we found similar issues during our prior audits dating back to the 1990s (see page 56).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the District from an audit released on March 16, 2011, we found that the District had taken appropriate corrective action in implementing our recommendations pertaining to the safe schools advocate (see page 62), student activity funds (see pages 64 and 65), building safety concerns (see page 68), swaps (see page 69), bus driver policies (see page 69), safety spending (see page 70), and controls over the Advantage 2000 system (see page 71).

However, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to student membership reporting (see page 62), as well as school police officer clearances and training (see page 66).

Background Informationⁱ

School Characteristics 2013-14 School Year ⁱⁱ	
County	Philadelphia
Total Square Miles	134.1
Resident Population ⁱⁱⁱ	1,605,362
Number of School Buildings	262
Total Teachers	8,347
Total Full or Part-Time Support Staff	8,049
Total Administrators	936
Total Enrollment for Most Recent School Year	135,107
Intermediate Unit Number	26
District Vo-Tech School	8 schools

Mission Statement

The School District of Philadelphia (SDP) will deliver on the civil right of every child in Philadelphia to an excellent public education and ensure all children graduate from high school ready to succeed, fully engaged as a citizen of the world.

Vision Statement

For all children, a great school, close to where they live.

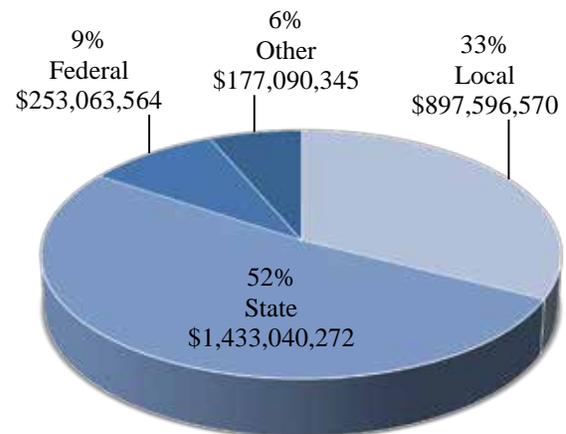
All actions directly support the attainment of one or more of the District's four anchor goals:

- 100% of students will graduate, ready for college or career goals.
- 100% of 8 year-olds will read on grade level.

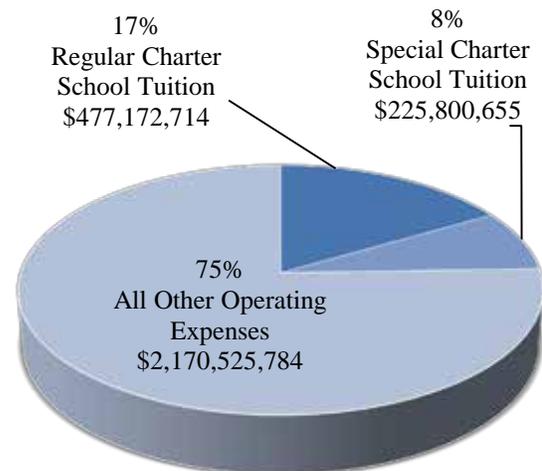
- 100% of schools will have great principals and teachers.
- SDP will have 100% of the funding we need for great schools. And zero deficit.

Financial Information

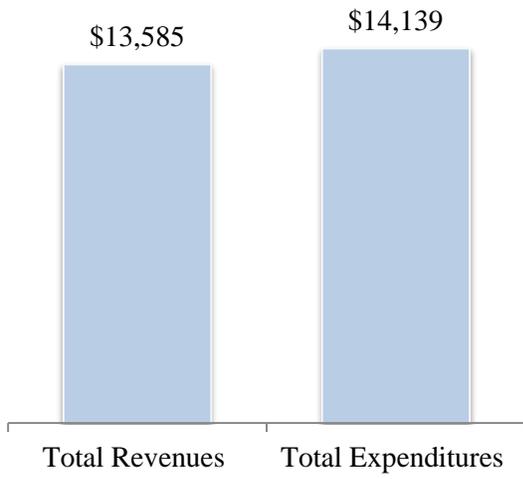
Revenue by Source for 2013-14 School Year



Select Expenditures for 2013-14 School Year



**Dollars Per Student
2013-14 School Year**



Findings and Observations

Finding No. 1

The District Faces Persistent Financial Challenges and Without Strong Legislative Support for a Commitment to Change the Current Funding Structure, Its Structural Deficit Will Remain Unresolved

The District's financial position is in a structural deficit, which is a budget deficit that results from a fundamental imbalance in government provided revenues and District expenditures, as opposed to one based on short-term factors that vary based on the current economic climate. The District's restricted ability to raise tax revenues coupled with mandatory cost increases from collective bargaining agreements and the state-mandated charter school funding formula and other mandated State expenditures (e.g., pension) have forced the District to resort to occasional working capital borrowing to meet operational needs.

Anytime borrowing has to occur to meet operational needs; serious concerns are raised about the long term viability of a district. The District's current operations business model should be re-examined because the existing level of funding is insufficient to meet the District's operational needs and ultimately may impact the District's ability to achieve its essential mission of educating students.

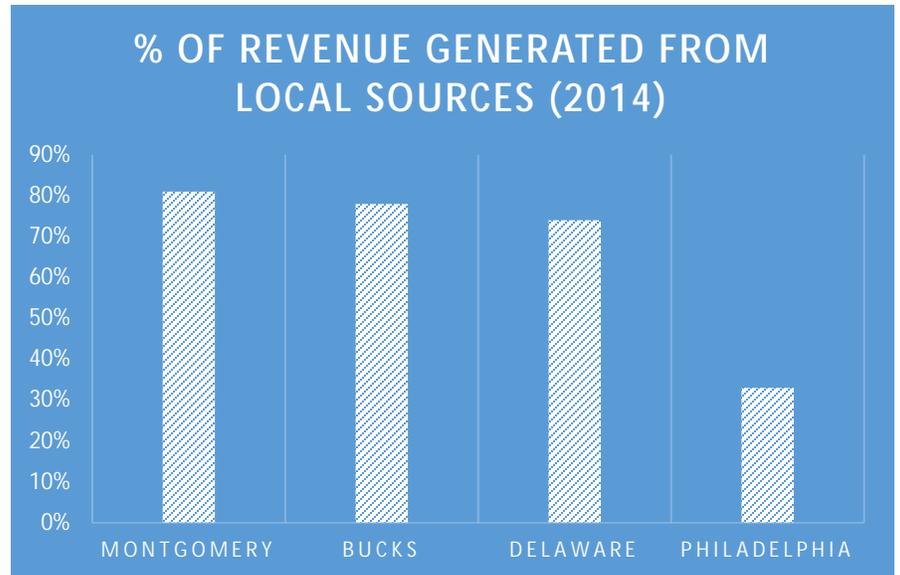
However, the District cannot make the necessary changes to its business model on its own. The District must work in concert with all external stakeholders that play a role in how the District is funded. The funding streams from the state, local, and federal levels must be evaluated with all parties committed to providing a pathway for curing the structural deficit. Addressing the structural deficit is vital for the District's long term sustainability.

Limited Control of Revenue Sources

The District operates in a financial environment completely different from any other district in the Commonwealth. Most districts have direct control of their major revenue sources. Local tax revenues make up approximately 70 percent of total district revenues in these districts. Board members in the majority of Commonwealth districts have the ability to increase millage rates, essentially property tax rates, to increase tax revenue. However, the

District does not have the independent ability to increase tax rates; the direct taxing ability lies with the General Assembly or the Philadelphia City Council. The following chart shows the percentage of total school district revenue from local sources for Philadelphia and average local revenue for all school districts in the three counties bordering Philadelphia for the Fiscal Year 2014.

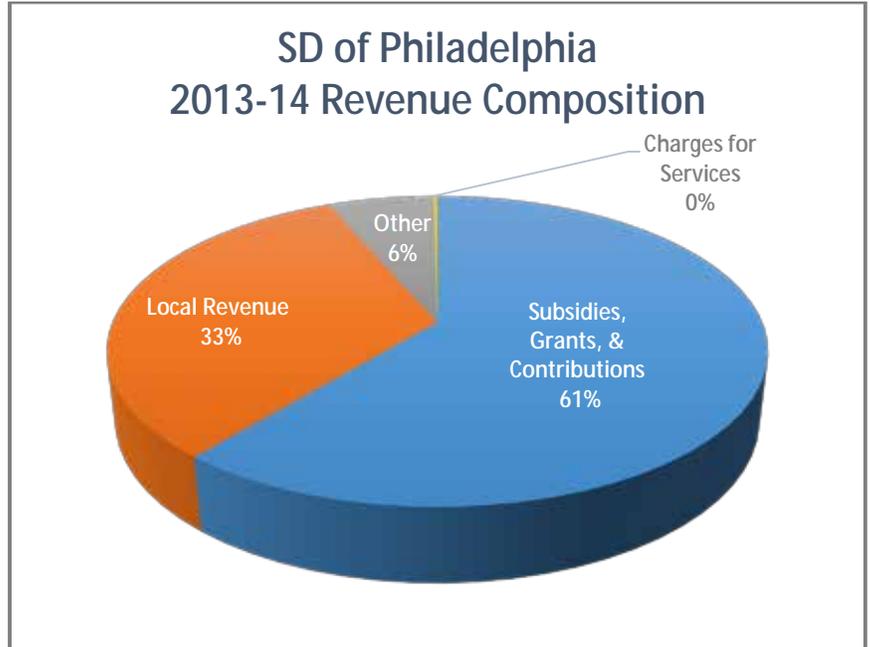
Chart 1



As shown in the next chart, the School District of Philadelphia is primarily reliant on subsidies, which make up more than 60 percent of total revenues. The District's local revenues make up only 33 percent of its budget compared to 74-81 percent for its neighboring counties. This reliance on subsidies leaves the District in a position whereby events and decisions made outside of its control greatly impact operations.

Further limiting the District's revenue generation capability in this area, is the fact that local revenue is made up of multiple tax and non-tax sources. The existence of multiple local tax and non-tax sources further limits the ability to increase local revenue due to the multiple stakeholders involved in determining these local tax and non-tax sources.

Chart 2



Subsidies are provided at the discretion of federal and state governments and, therefore, can significantly vary from year-to-year. For example, in 2014 the District received a one-time \$45 million Commonwealth grant that was distributed to the District through the City.¹ This grant increased the District’s local revenue share (tax and non-tax local revenue) to its highest amount during our review period. Obviously, the very definition of a “one-time” grant shows the precarious nature of this type of revenue stream available to the District. The table on the next page shows the extent to which the District is exposed to potential difficulties because of its reliance on revenue sources outside of its direct control.

¹ The City was merely the conduit for the one-time grant from the Commonwealth. City grants awarded by the City from its own funds are recurring from year to year.

Table 1

<i>School District of Philadelphia Governmental Funds Revenues (in thousands)</i>						
	2010	2011	2012	2013	2014	% Change 2010-2014
Federal	\$ 557,950	\$ 632,055	\$ 444,504	\$ 400,086	\$ 253,064	-55%
State	1,456,916	1,458,468	1,349,514	1,390,157	1,433,040	-2%
Local²	857,189	840,336	935,602	979,778	1,074,686	25%
Total	\$2,872,055	\$2,930,859	\$2,729,620	\$2,770,021	\$2,760,790	-4%

The chief driver of the decrease in the District’s Total Governmental Funds Revenues³ over the fiscal years 2010-2014 is the 55 percent loss of federal revenue sources. The four percent decrease in total revenues over this period occurred even though there was a 25 percent increase in local revenues over the same time period. This decrease can primarily be attributed to the loss of ARRA⁴ funds during this period. Currently, federal sources make up only nine percent of total revenues, but as recently as 2011, federal sources were 21 percent of the District’s total revenue.

State-Mandated Charter School Expenditures

The other major component contributing to the structural deficit is rising expenditures, most notably the District’s exponential rise in charter school tuition payments because of the increase in the number of students attending charter schools. The following table shows the growth in charter school enrollment and the corresponding loss of enrollment in the District’s schools.

² Local revenue is comprised of Local Tax and Local Non-Tax revenue. Real estate, use and occupancy, liquor sales, sales tax and public utility realty are the major sources of local tax revenue. City contributions, stadium agreements (statutorily mandated PILOT payments), parking authority, and gaming revenue are the major sources of local non-tax revenue.

³ Governmental Funds Revenue is comprised of the District’s General, Intermediate Unit, Categorical, Capital Projects, Debt Service, and Non-Major Funds.

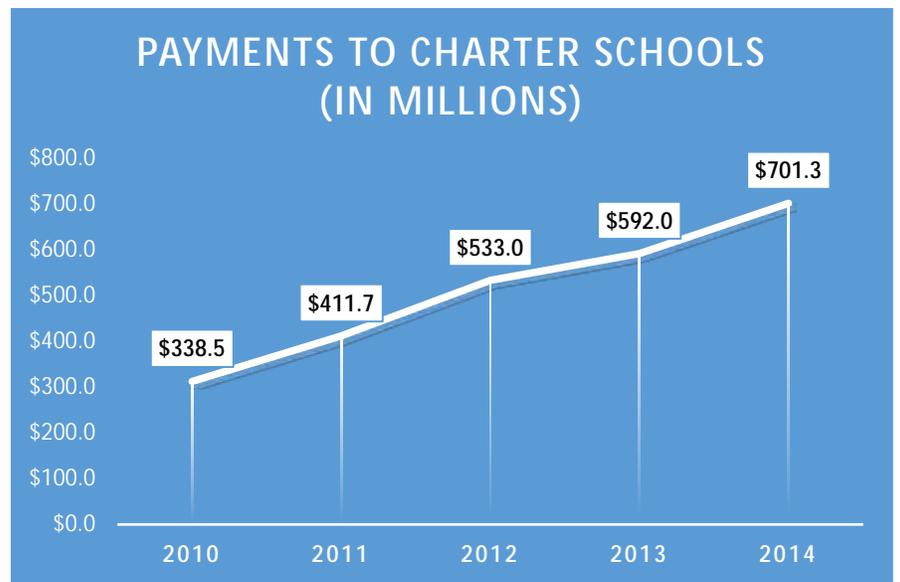
⁴ American Recovery and Reinvestment Act of 2009 (Public Law 111-5), commonly referred to as “The Stimulus Act” or “The Recovery Act.”

Table 2

<i>School District of Philadelphia Public and Charter School Enrollments</i>						
	2010	2011	2012	2013	2014	% Change 2010-2014
Public	160,659	154,482	146,819	141,094	135,107	-16%
Charter	37,142	44,301	52,413	61,856	67,889	83%
Total	197,801	198,783	199,232	202,950	202,996	3%

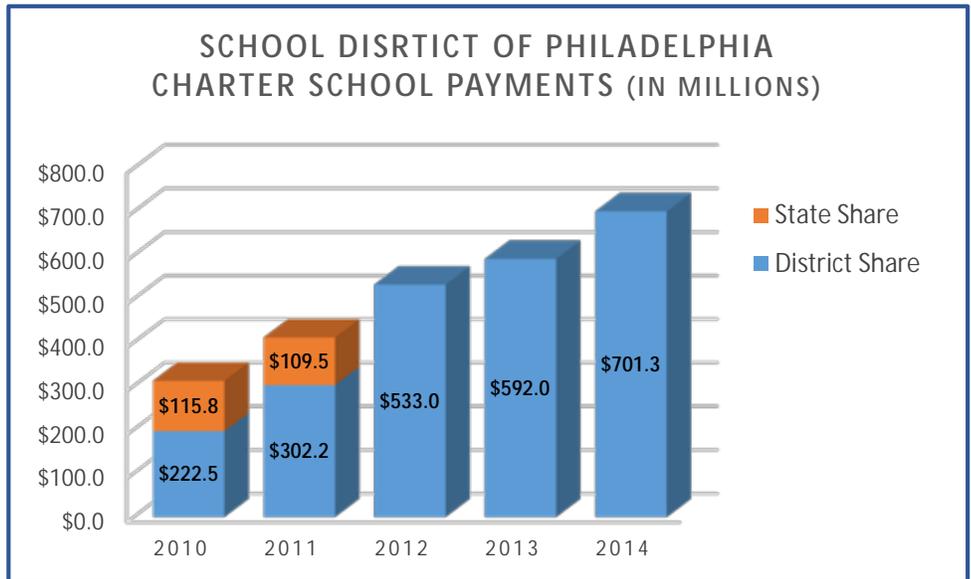
The District's charter school tuition costs increased substantially during our review period. Charter school expenditures increased by 107 percent, and as previously discussed, the District's revenue streams are not increasing proportionally nor are its cost saving occurring on a dollar for dollar basis to offset this significant increase in a mandated expenditure category. The following chart illustrates the increased tuition payments made by the District to charter schools during the review period. As shown below, charter school payments more than doubled from 2010 to 2014.

Chart 3



Compounding the negative effect of increasing charter schools costs, in 2011-12 the Commonwealth eliminated the charter school reimbursements it had been paying to sending school districts.⁵ Prior to 2011-12, the Commonwealth provided some financial support for charter school education by reimbursing school districts for a portion of their charter school tuition payments. The following chart illustrates the District’s increasing charter school costs.

Chart 4



Rising charter school enrollments have hurt school district finances across the Commonwealth. Essentially, charter school tuition payments are contra revenues⁶ that effectively reduce state aid to the district by redirecting it to charter schools. Since state aid is the primary source of funding for the School District of Philadelphia, the effect is more pronounced for this particular district. Charter school growth in this District has created a “negative feedback

⁵ Section 2591.1 of the P.S. § 25-2591.1, provides for the commonwealth to partially reimburse school districts for their charter school costs, but the state stopped providing reimbursements after 2011. Please note that prior to the 2011-12 school year, the state provided **indirect** financial support to charter school education by reimbursing districts a portion of their charter school tuition payments according to established rates (up to 30 percent, or 41.96 percent in some instances), but this reimbursement was eliminated in the Commonwealth’s 2011-12 annual budget. (See our Department’s *Special Report on Charter School Accountability and Transparency*, released in May 2014.)

⁶ A deduction from gross revenue resulting in less net revenue.

loop,”⁷ wherein the diversion of resources to charter schools threatens the quality of District schools, further driving students to charter schools and exerting more financial pressure on the District.

Borrowing to Cover Operational Deficits and Capital Programs

A school district’s operating position (revenues minus expenditures) is one important indicator of a district’s financial health. The financial operating position of the School District of Philadelphia is based upon revenues and expenditures in the governmental operating funds found in the District’s Comprehensive Annual Financial Reports (CAFR). As shown on Table 3 below, the District had an operating deficit in all five fiscal years from 2010 to 2014.

Table 3

School District of Philadelphia Annual Operating Position			
Fiscal Year	Revenues	Expenditures	Total Deficit from Operations⁸
2010	\$ 2,284,145,230	\$ 2,310,211,518	\$ (26,066,288)
2011	\$ 2,341,781,226	\$ 2,458,113,161	\$ (116,331,935)
2012	\$ 2,232,753,700	\$ 2,324,686,356	\$ (91,932,656)
2013	\$ 2,304,570,932	\$ 2,546,213,895	\$ (241,642,963)
2014	\$ 2,438,817,519	\$ 2,523,009,422	\$ (84,191,903)
Total for Fiscal Year 2010 - 2014	\$11,602,068,607	\$12,162,234,352	\$ (560,165,745)

According to District officials, the District’s budgetary presentation of its operating position is different than what is presented in the District’s financial reports. For its budgetary presentation, the District adjusts the operating surplus/deficit by the amount of debt service required to be paid into sinking funds in the current fiscal year but applicable to the subsequent fiscal year (“advance

⁷ Moody’s Investor Service, July 20, 2015 “Small Group of Troubled Pennsylvania Schools Unlikely to Recover Soon.”

⁸ Source is the Comprehensive Annual Financial Report (CAFR) of The School District of Philadelphia, Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds.

amounts”) The District’s adjusted budgetary operating position is shown in Table 4.

Table 4

School District of Philadelphia Adjusted Budgetary Operating Position			
Fiscal Year	Total Deficit from Operations	Sinking Fund Advance Amounts⁹	Adjusted Total from Budgetary Operations Surplus/(Deficit)
2010	\$ (26,066,288)	\$ 49,509,386	\$ 23,443,098
2011	\$ (116,331,935)	\$ 72,232,079	\$ (44,099,856)
2012	\$ (91,932,656)	\$ 89,213,080	\$ (2,719,576)
2013	\$ (241,642,963)	\$103,760,185	\$ (137,882,778)
2014	\$ (84,191,903)	\$ 98,091,730	\$ 13,899,827
Total from Operations	\$ (560,165,745)	\$412,806,460	\$ (147,359,285)

When considering the advance amounts, which are restricted funds, the budgetary operating position (revenues minus expenditures adjusted for advance amounts) of the District is in a surplus for Fiscal Years 2010 and 2014. However, the significant increase in the operating deficit from Fiscal Year 2012 to 2013 resulted in the District borrowing funds to support operations. Previously, the District had not engaged in borrowing to support operations since 2003.

In addition to the deficit borrowing, the District has funded its Capital Improvement Plan (CIP) to build new schools and modernize existing buildings through long-term capital borrowing using General Obligation Bonds and State Public School Authority Bonds. The District’s total outstanding debt principal, by bond type is shown in Table 5.

⁹ According to the District, the source for the budgetary adjustment is Bank of New York (Fiscal Agent) Statements, as of June 30, each year, which show the amount prepaid at the end of one fiscal year for the next fiscal year.

Table 5

SD of Philadelphia Total Outstanding Debt Principal, by Bond Type (in thousands)						
	2010	2011	2012	2013	2014	% change '10-'14
Capital Related Bonds						
General Obligation Bonds	\$1,792,685	\$1,800,745	\$1,842,043	\$1,751,550	\$1,686,383	-5.9%
QZAB & QSCAB Bonds	\$83,950	\$83,945	\$228,565	\$228,560	\$205,630	144.9%
SPSBA Bond ¹⁰	\$889,955	\$884,010	\$877,780	\$871,240	\$864,370	-2.9%
Total Capital Related Bonds	\$2,766,590	\$2,768,700	\$2,948,388	\$2,851,350	\$2,756,383	-0.4%
Operating Related Bonds						
Deficit Bonds ¹¹	\$236,580	\$223,225	\$209,130	\$459,245	\$439,060	85.6%
Total Operating Related Bonds	\$236,580	\$223,225	\$209,130	\$459,245	\$439,060	85.6%
Total Bonds	\$3,003,170	\$2,991,925	\$3,157,518	\$3,310,595	\$3,195,443	6.4%

The following chart presents the District's annual debt service payment requirements, including principal and interest. In each fiscal year reviewed, the District's debt payment requirement was a mandatory expenditure reducing current revenues.

Chart 5

¹⁰ State Public School Building Authority Act, 24 P.S. § 791.1 *et seq.* (Act 498 of 1947, as amended).

¹¹ Includes Deficit Bond Series 2005B which partially refunded General Obligation Bond Series 2002B and State Public Building Authority Series 2012B.

Guidance from credit rating agencies cited by the Government Finance Officers Association indicates that a financial benchmark is that annual debt service should “not be more than 10% of annual revenues.” While the District has operated under this standard for each year reviewed, debt service equal to 10 percent of current revenues reduces the amount of revenue available for educational purposes, facility maintenance, and other student support services.

PA Intercept Program Affects District

The District was able to enhance its underlying credit rating and thus lower the cost of borrowing, due to *Pennsylvania School District Enhanced Ratings Intercept Program* (Intercept Program).¹² The Intercept Program provides all districts in the Commonwealth the ability to give underwriters the additional financial guarantee of the Commonwealth of Pennsylvania, and in return, school districts can obtain lower borrowing costs.

The Intercept Program requires the Secretary of Education to withhold current or future state aid payments from a school district that fails to make a scheduled debt service payment. If a district does not make payment of its scheduled debt service, the school district’s state aid funds will be sent by the Secretary of Education to school district bondholders through the school district’s paying agent. The security to bondholders is enhanced when state aid payments can be “intercepted” and used to pay bondholders thereby enhancing the credit ratings of a school district.

A school district’s annual state aid must be at least equal to current year’s debt service for the credit ratings agencies¹³ to assign the enhanced program’s ratings. Because the School District of Philadelphia receives this enhanced rating, the Intercept Program has been helpful to the District to lower interest costs when it engages in long term borrowing. The District has wisely and actively used the Intercept Program to lower interest costs as much as possible.

¹² Section 633 of the Commonwealth’s PSC, as amended by Act 150 of 1975.

¹³ A company that assigns credit ratings, which assesses a debtor’s ability to re-pay debt by making timely interest payments and the likelihood of default. Moody’s Investor Service, Standard & Poor’s Financial Services, and Fitch Ratings are considered the Big Three credit rating agencies.

According to Moody's Investor Service, by the end of the 2014 calendar year, the District was the only school district in Pennsylvania that had an underlying speculative bond grade rating,¹⁴ which is defined by Moody's as one subject to high credit risk and vulnerable to non-payment. Even with such a poor bond rating, because the District debt had the benefit of the Intercept Program, the District was able to borrow long term at an enhanced rating with lower interest costs.¹⁵

In the future, if the District is unable to meet payments to bondholders, state aid will be withheld to make these payments and the District will lose more of its biggest funding source which, in turn, means less funding will be available to address educational needs of the District's students.

The District also borrowed more than \$300 million in Tax and Revenue Anticipation Notes (TRANs) near the beginning of the 2015 fiscal year and \$125 million near the beginning of Fiscal Year 2014 to cover initial operations of the school year and to sustain operations until state subsidies were disbursed and local taxes received. The use of TRANs is a Commonwealth-wide cash flow borrowing technique that lowers the cost to a district due to the mismatch of the timing of payments of incurred expenses with the receipt of revenues from funding sources, but further adds expense in the form of interest and miscellaneous borrowing costs that further affect cash flow.

Unfunded Pension Obligation

The District's deteriorating financial position, as reported on its financial statements, became more evident as of the fiscal year ended June 30, 2015, due to new financial reporting requirements.

Specifically, Governmental Accounting Standard Board (GASB) accounting statement No. 68, *Accounting and Financial Reporting for Pensions* requires all school districts to report their allocation of any unfunded,

¹⁴ "Small Group of Troubled Pennsylvania Schools Unlikely to Recover Soon" Moody's Investor Service, July 20, 2015.

¹⁵ It is important to note that Standard & Poor's has withdrawn its Intercept Program rating due to the recent Commonwealth budget impasse and Moody's has totally revised its intercept rating methodology. Therefore, even with the District's access to the Intercept Program, the District's future borrowing costs will increase.

defined-benefit pension obligation on their financial statements.

The effect on the School District of Philadelphia's total net position was more significant than other Commonwealth districts. The District's total net position was negative \$1.6 billion as of June 30, 2014, the year prior to the effective date of enacting the new GASB requirement. However, the District's total net position declined to negative \$4.8 billion as of June 30, 2015, primarily due to the District recording over \$3.3 billion as net pension liability to comply with the reporting requirements of GASB No. 68.¹⁶

Key Financial Benchmark Reflects Financial Stress

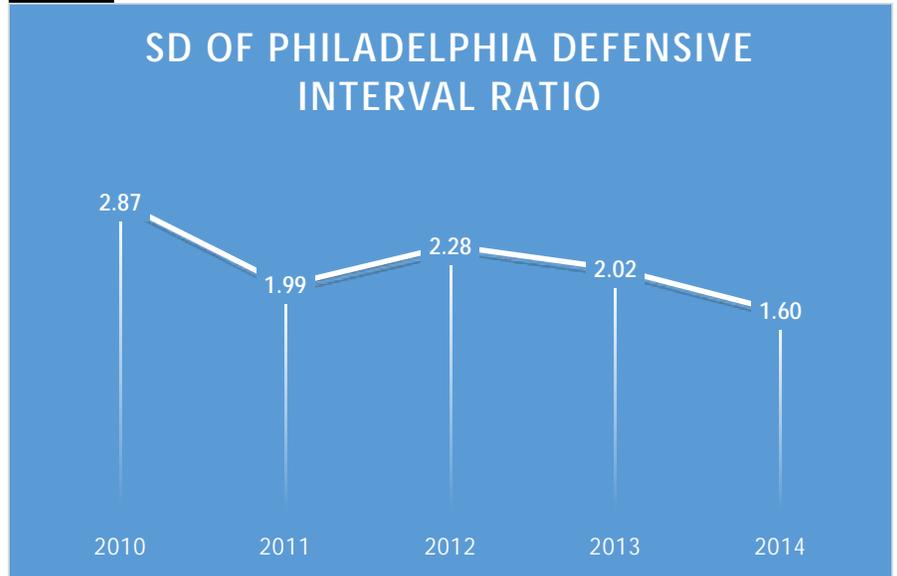
In an effort to assess the District's financial stability, we calculated the District's defensive interval ratio, a common financial benchmark used to highlight an entity's financial position. This benchmark measures the number of months the District would be able to continue operations if no additional funds (revenues) were received.

The defensive interval ratio is especially relevant since the Commonwealth experienced a prolonged budget impasse in 2015-16, which resulted in many school districts depleting their general fund balances. School districts without a healthy general fund balance were forced to borrow funds to stay operational. During the budget impasse, the School District of Philadelphia borrowed \$825 million for cash flow purposes and will have to pay an estimated \$4.0 million in interest payments.

As shown on the following chart, the defensive interval ratio as of June 30, 2014, was 1.60, which indicated the District had on hand current liquid assets (cash, securities, and receivables) to cover approximately one and a half months of its monthly expenditures. This ratio further illustrates the daily reality of how close the Commonwealth's biggest school district is to not being able to meet its financial obligations.

¹⁶ This accounting disclosure does not in any way alter the District's legal obligation to make annual contributions to fund its employer share of pension plan costs, which is determined by state law.

Chart 6



Summary. The District’s heavy reliance on government subsidies and its restricted ability to control its local revenue streams, coupled with mandatory expenses—driven by fixed costs and rapidly rising charter school tuition—growing faster than revenue, have left the District with a persistent structural deficit.

The District is dependent on changes to current legislation to bridge the annual difference between revenues and expenses. Without a coordinated plan at the federal, state, and local legislative levels, the District will continue to be in a structural deficit. To heighten matters, the inclusion of a \$3.3 billion net unfunded pension liability in the District’s net position as shown on the June 30, 2015, financial statements only further weakened the District’s balance sheet. On a positive note, the District has benefited from the Commonwealth backed Intercept Program to lower borrowing costs as much as possible.

The current business model is not working. Recognizing the complexities involved with the financial operation for a school district the size of Philadelphia, a more thorough analysis of all the factors contributing to the structural deficit should be conducted. District officials concur with the conclusion of our high level review that without adequate legislative actions to address the structural deficit, the District is on an extremely challenging financial path.

Without a better business model, which must incorporate legislation that aligns educational and business expenses with total available revenue, the District will be in a constant state of structural imbalance. The structural imbalance may ultimately impact its ability to meet the primary mission of providing a quality education for all of its students.

Recommendation

The School District of Philadelphia should:

Work with all federal, state, and local entities on a coordinated plan that would assist the School District in eliminating its structural imbalance. The plan will require strong legislative support for a commitment to change the current funding structure to enable the development of a financial business model that aligns educational and business expenses with total available revenue.

Management Response

District management provided the following response:

“The School District of Philadelphia management accepts this recommendation and believes that a structurally balanced budget can only be achieved through a coordinated effort between the District and all legislative and community stakeholders. The District seeks a fair funding formula, which takes into account its demographics as a poor urban school district and no independent taxing authority or ability to raise its own revenues.

The School District will continue to engage in the effort to develop a coordinated plan with all its funding sources including the Commonwealth, the City of Philadelphia, the Federal Government and charitable contributors. In addition, the School District recognizes that support for and a funding plan can only be successful if it includes engagement of the community and parents as well as charter school and non-public schools.

Achieving a structurally balanced budget is essential to the District achieving its strategic initiatives outlined in the Superintendent’s Action Plan v3.0 to provide a quality education to all students – no matter what the zip code or the school they attend within the Philadelphia city limits. The current revenue structure is dependent on the enactment of the Governor’s Fiscal Year 2017 budget. This coupled with increasing payments to charter schools and rising pension costs is projected to result in a budgetary operating fund deficit in Fiscal Year 2019. The budgetary operating surplus in Fiscal Year 2015 and projected for Fiscal Year 2016 was achieved mostly due to teacher vacancies. If the District is to move forward to improve educational opportunities for all its students it needs sufficient funding to be able to accomplish its educational mandates and goals, including placing a highly qualified teacher in every classroom.”

Auditor Conclusion

We are pleased that the District recognizes the importance of achieving a structurally balanced budget, which the District also believes is essential to its strategic initiatives outlined in the Superintendent’s Action Plan v3.0. We are also glad to hear that the District will continue to develop a coordinated plan utilizing all of its funding resources, as well as engaging the community and stakeholders in its funding plan efforts. We will follow-up on the District’s financial position during our next audit.

Finding No. 2**The District Failed to Ensure that Textbooks and Other Educational Materials were Properly Accounted for After the Closure of 23 School Buildings*****Criteria relevant to the finding:***

Public schools must follow governmental accounting standards. Pennsylvania Department of Education's (PDE) *Manual of Accounting and Financial Reporting for Pennsylvania Public Schools* directs public schools to report inventory at June 30th on the balance sheet and to disclose the method of accounting for inventory in the footnotes to the financial statements. **Textbooks** are included as an example of inventory.

The monitoring and valuation of inventory are part of an entity's internal controls. Internal controls apply to all aspects of an entity's operations, reporting, and compliance. Internal controls are intended to manage risk and promote accountability.

According to the federal Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* dated September 2014 (known as the *Green Book*), "A key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system. An effective internal control system helps an entity adapt to shifting environments, evolving demands, changing risks, and new priorities. As programs change and entities strive to improve operational processes and implement new technology, management continually evaluates its internal control system so that it is effective and updated when necessary." (See Overview Section, pg. 1.)

In June 2013, the District simultaneously closed 23 of its school buildings, an unprecedented number of closures for the District. Textbooks and other educational materials were boxed up and transported to either the District's administration building or to Edward Bok Technical High School (Bok), one of the closed schools, for storage. We found internal control weaknesses related to this surplus textbook inventory which are detailed in the sections below.

Incomplete and inaccurate inventory listings from the closed schools

After the closure announcement, the building principals were instructed to conduct their annual physical inventory, as usual. The physical inventory process is a manual process as the District has not invested in an automated inventory system. The fact that the District did not have an automated, textbook inventory system compounded the problem of having to account for the volume of surplus books and educational materials resulting from these closures. District administration expressed concern about the accuracy of these inventory records as they were completed by individuals who had been informed that their schools were closing. Also, due to the volume of school closures and the lack of adequate resources, the District was unable to verify the accuracy and completeness of the records.

District staff participated in "walk-in" events without an accurate accounting of items taken

After the items were transferred to the administration building or to Bok for storage from the closed schools, they were sorted and organized, but not officially inventoried; therefore, the District did not have a proper accounting of the total textbook inventory on hand.

During the 2013-14 school year, principals were provided with a list of textbooks available at Bok and were encouraged to submit orders, which they did. School staff

Criteria relevant to the finding (continued):

Specifically, Section 1 Paragraph OV1.01 of the *Green Book* states:

“Internal control is a process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved... These objectives and related risks can be broadly classified into one or more of the following three categories:

- Operations - Effectiveness and efficiency of operations
- Reporting - Reliability of reporting for internal and external use
- Compliance - Compliance with applicable laws and regulations”

Section 1 Paragraph OV1.03 of the *Green Book* further provides:

“Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control serves as the first line of defense in safeguarding assets. In short, internal control helps managers achieve desired results through effective stewardship of public resources.”

Additionally, Section 2 Paragraph OV2.24 specific to the “Safeguarding of Assets” states:

“A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”

were also given several opportunities to come to Bok for “walk-in” events to take textbooks and materials. District administration instructed school staff to complete forms for the items being removed during these events, but we found that completed forms did not contain enough detail about the items removed from Bok. The District indicated that it did not have enough staff available at “walk-in” events to be able to fully track the inventory. “Walk-in” events stopped in June 2014, but many books and materials still remained in storage without a full accounting of what was taken, what remained, and the usability of those items. District administration indicated that the closure of so many schools at once hampered its ability to maintain an accurate inventory of books and other instructional materials.

Usable textbooks sat idle in storage for approximately two years

The District stored hundreds of thousands of books in a closed school building for approximately two years. As previously stated, some books were claimed by District teachers; however, many more of those books could have been dispersed to classrooms and libraries throughout the District to educate students and provide needed reading materials if the books were properly tracked and inventoried. Considering the District’s lack of resources and financial woes, it is not good business practice to allow educational materials to sit unused in a storage area or to potentially pay for new educational materials when usable items may already be in the District’s possession.

Another consequence to the books sitting in storage for so long was that some of the books had to be discarded due to water damage and mold resulting from Bok’s leaking roof. If those books did not sit in storage so long, they may have been distributed to schools for use by District students while the books were still in usable condition.

Sorting and moving inventory stored at Bok cost the District more than \$100,000

The District began the process of sorting and moving all items stored at Bok to the storage area of the District’s administration building in April 2015. Once the books and materials were relocated to the administration building, the District enlisted the help of a local nonprofit organization

and a temporary agency to assist in sorting and organizing the materials. The District also hired a recycling company to assist with the project. As of August 31, 2015, the District incurred costs of approximately \$109,000 to address this textbook inventory issue.

The District implemented corrective action

The District purchased 14 refurbished book scanners in order to establish an accurate inventory of the stored textbooks by the International Standard Book Number. This was necessary to facilitate the repurposing of as many textbooks as possible, which the District indicated was its priority. Repurposing textbooks saves the District money, as fewer books must be ordered from an outside vendor. As of August 2015, the District indicated that it was in the process of filling textbook orders from the surplus inventory at the District's administration building. Orders were being manually entered into the inventory database created when the textbooks were scanned.

During the sorting process library books were separated from textbooks. Library books were not inventoried but were separated by grade level (K-2, 3-5, 6-8, 9-12). The District's administration indicated that it intends to institute a process to distribute those books as well, once the school year is sufficiently underway. The District also plans to distribute the non-repurposed books to the community at a future date. We will review the District's textbook and educational material inventory process during the next audit.

Summary. We understand the District's lack of resources and financial difficulties, as well as commend the District for implementing corrective action by purchasing appropriate scanning equipment. However, by not having adequate internal controls to inventory and track surplus textbooks and other educational materials, the District didn't know exactly what inventory it had and whether or not that inventory was usable. Consequently, textbooks and other materials that could have been used by the District's teachers and students sat idle in storage for approximately two years. Furthermore, despite the fact that books were distributed from the Bok storage location, the lack of a complete, physical inventory provided an opportunity for the District to order new textbooks when it

already had those books in storage, potentially creating an unnecessary cost to the District.

Recommendations

The *School District of Philadelphia* should:

1. Strengthen its internal controls over inventory by maintaining more detailed records of all inventory placed in and taken from storage locations so that the District knows exactly what surplus inventory is on hand.
2. Implement stronger internal controls over future school closings by having a policy in place requiring District personnel not associated with the closing school to conduct the year-end inventory in an effort to increase accountability and reduce risk.
3. Consider implementing a fully automated inventory system for all books and educational materials. If a fully automated system is not feasible, consider using the already purchased scanners to create accurate databases of all books districtwide, including library books.
4. Conduct periodic physical inventories of textbooks and other educational materials located in storage areas to ensure the accuracy of District-wide inventory records.
5. Utilize staff from other school buildings to verify annual inventory reports by building principals during the normal annual inventory process in an effort to increase accountability and ensure an accurate inventory count.
6. Develop a plan to dispose of books and other materials stored at the District's administration building that ultimately will not be used by District schools.
7. Ensure that any District building used to store books, or any other items or equipment, is free from any structural defect which could lead to damage or destruction of the stored items.

Management Response

District management provided the following response, which corresponds to the numbered recommendations in this finding:

“1. The District has developed an on-line Textbook Storage System (TSS), accessible to all principals and building level designees, tasked with managing and tracking all school based textbooks. Each school has the ability to document the quantity and storage location(s) for each textbook at the beginning and throughout the school year. Schools can use the system to identify textbooks, which are lost, stolen, deemed unusable or distributed for home and/or classroom use. The system also has a series of reports to help schools manage the storage of textbooks. For the 2015-2016 School Year, the TSS was available for all schools in August 2015. At that time, The Deputy Chief, Office of Curriculum, Instruction, and Assessment sent an email to all assistant superintendents and principals outlining the new textbook inventory process. The Office of Information Technology & Data Management; Office of Procurement; and Office of Curriculum, Instruction, and Assessment developed the process jointly. The memo outlined the process for accessing the TSS as well as links to lists of helpful resources to assist building level designees to complete the automated storage process. The target date for full implementation by schools is the end of the current school year.

Over the summer of 2015, the Offices of Curriculum, Instruction, and Assessment, Procurement, and Information Technology collaborated with Work Ready (volunteers) students and the West Philadelphia Alliance for Children (WePAC) to inventory unused textbooks stored in the District Central Office’s basement. WePAC unpacked, sorted, scanned, and boxed SDP unused textbooks with Work Ready students volunteers from May until August 2015. In September 2015, the Central Office surplus textbook inventory was completed; a comprehensive database of available textbooks for our students and teachers and imported into the new Textbook Storage System. The surplus textbooks are now available for all schools to

contact the Office of Curriculum, Instruction and Assessment for available inventory.

In addition to the Textbook Storage System (TSS), the District created a Textbook Order Form to better manage the textbook inventory and maintain records that are more accurate. Schools requesting textbooks from the District Central Office inventory must complete the Textbook Order Form, which lists books by title, ISBN #, and quantity. A designee receives the form in the District Central Office. The District Central Office designee reviews and confirms that these materials are in stock and available for the requesting school. Orders are full-filled in the order received and subject to availability. After confirming the order, the designee electronically moves the books into to the receiving school's inventory within the TSS, and electronically removes it from the District's Central Office tracking system. The District Central Office designee will then arrange the textbook delivery.

2. The Office of Curriculum, Instruction, and Assessment developed a procedure to conduct an end-of-year textbook audit for any new school closures. A team will go to the closing school, to compare the school's Text Book Storage System (TSS) inventory records with the actual books in the school. The District Central Office team will print out school textbook reports by grade and subject and conduct a physical room-by-room inventory of all textbooks. The District team will add and/or delete textbooks from or to the TSS to their findings. The District Central Office will make year-end arrangements for textbooks redistribution to other schools or District Central Office inventory storage.
3. A fully automated inventory system is not feasible due to resource and budget constraints. However, as discussed above, the District has developed an on-line Textbook Storage System (TSS), accessible to all principals and building level designees, tasked with managing and tracking all school based textbooks. The TSS provides each school with the ability to document the quantity and storage location(s) for each textbook at the beginning and throughout the school year. Schools can also use the system to identify textbooks, which are lost, stolen, deemed unusable or

distributed for home and/or classroom use. The system also has a series of reports to help schools manage the storage of textbooks. For this school year, the TSS was available for all schools in August 2015. On August 31, 2015 Deputy Chief, Office of Curriculum, Instruction, and Assessment sent an email to all assistant superintendents and principals outlining the new textbook inventory process. The Office of Information Technology & Data Management; Office of Procurement; and Office of Curriculum, Instruction, and Assessment developed the process jointly. The memo outlined the process for accessing the TSS as well as links to lists of helpful resources to assist building level designees to complete the automated storage process.

The new District Textbook Storage System (TSS) does not contain Library books. A process and timeline will be established to inventory all Library books with the goal of having the process completed by the end of the 2016-2017 School Year.

4. Textbooks are stored in a secured area of the District Central Office (basement). District employees are required to enter the building through a security office/system and District personnel are stationed in the basement area.

Personnel will continue to conduct periodic checks of the inventory area. In addition, a designee within the Office of Curriculum, Instruction, and Assessment fulfills textbook orders, observes/confirms textbook delivery, as well as the receipt of textbooks entering the textbook storage area. The designee confirms all incoming and outgoing orders to maintain accurate records and inventory security.

5. The Office of Curriculum, Instruction, and Assessment has developed randomized end-of-year textbook audits for all schools beginning with the 2015-2016 School Year. A District Central Office team will be sent to randomly selected schools to compare the school's Textbook Storage System (TSS) inventory records with the actual books in the school. The District Central Office team will print out school textbook reports by grade and subject and conduct a physical room-by-

room inventory of all textbooks. The District team will add and/or delete textbooks from or to the TSS relative to their findings.

6. The new Textbook Storage System (TSS) allows building principals and/or designees to categorize textbooks as damaged or in need of disposal. The school will submit a form to the Office of Facilities, who will then arrange to dispose of the books and/or materials. Disposed books are removed subsequently from the school inventory.
7. The District's Facilities Office will ensure any storage areas are free from structural defects, which could lead to damage or destruction of stored items."

Auditor Conclusion

We are encouraged that the District is implementing a host of new processes and procedures aimed at strengthening internal controls and improving its tracking of textbooks and other educational materials. We are also very encouraged by the District's promising new on-line Textbook Storage System developed to improve the tracking of inventory and targeted for full implementation by the end of the 2015-16 school year.

Further, we are also glad that the District has created a new Textbook Order Form to better manage the textbook inventory and maintain records that are more accurate, as well as an end-of-year textbook audit process for any new school closures. Additionally, the District's newly developed randomized end-of-year textbook audits for all schools beginning with the 2015-16 school year appears to be a step in the right direction to strengthening internal controls. Finally, the District's intentions to establish a process and timeline to improve library inventory by the end of the 2016-17 school year is also recognized.

Since all of the above processes and procedures are new and were not in place during our audit, we will evaluate their implementation and effectiveness during our next regularly scheduled audit of the District.

Finding No. 3**The District’s School Reform Commission Failed to Conduct Timely Performance Evaluations of the Superintendent and Did Not Enter into an Employment Contract with the Deputy Superintendent*****Criteria relevant to the finding:*****Superintendent’s Original Contract:**

“4.3 Performance Compensation: Beginning September 1, 2013 and each year thereafter, [the Superintendent] shall be eligible to earn performance compensation in an amount up to 20% of his then annual salary as determined by the SRC. By May 1, 2013 and by June 1 of each subsequent year of this agreement, the reasonable, measurable and objective criteria for being awarded such compensation shall be determined by the SRC and [the Superintendent]...A determination of the achievement of the criteria and the compensation to be paid shall be made no later than August 1, 2014 and by August 1 each following year of this agreement.”

“4.4 Performance Evaluation: The SRC and [the Superintendent] shall agree upon a time in each year of this agreement to conduct in executive session of the SRC an evaluation of the Superintendent’s performance and the working relationship of the Superintendent and the SRC. The evaluation shall be based upon performance criteria mutually determined by the SRC and [the Superintendent] as set forth in section 4.3. The evaluation shall be reduced to writing in a form mutually agreed upon by [the Superintendent] and the SRC.”

The District’s SRC, which performs the same functions as a typical elected school board, failed to timely establish performance criteria and conduct performance evaluations of the District Superintendent in accordance with the Superintendent’s contract. In addition, the District failed to comply with the PSC when it did not execute a written employment contract, which includes performance measures, with its Deputy Superintendent, who was second-in-command to the Superintendent.

Original contract terms for the Superintendent

The SRC entered into a five year employment contract with the current Superintendent on July 15, 2012. Base compensation started at \$300,000 per year for the 2012-13 school year and then was to be reviewed and adjusted annually as determined by the SRC. This performance-based contract also provided for a bonus of up to 20 percent of the annual base salary. According to the contract, the Superintendent and the SRC were to establish agreed upon performance criteria for the 2013-14 school year by May 1, 2013. Performance criteria for 2014-15 was to be established by June 1, 2014. The SRC’s annual performance evaluation was to be completed by August 1st each year.

Failure to establish performance criteria and conduct annual performance evaluations

We found that performance measures for both the 2013-14 and 2014-15 school years were not agreed upon until March 26, 2015. Therefore, performance criteria wasn’t timely established pursuant to the deadlines of May 1, 2013 and June 1, 2014, set forth in the Superintendent’s original contract. Additionally, performance evaluations were also not conducted according to the timeframes in the contract. The 2013-14

Criteria relevant to the finding (continued):

Amendments to the PSC:

Subsection (e)(1) of Section 1073 (relating to manner of election or approval) of the PSC, 24 P.S. § 10-1073(e)(1), provides:

“(e) The following shall apply:

- (1) Notwithstanding any other provision of law, no individual shall be employed as a district superintendent or assistant district superintendent by a school district except pursuant to a written contract of employment expressly stating the terms and conditions of employment.”

In addition, subsection (a) of Section 1073.1 (relating to performance review) of the PSC, 24 P.S. § 10-1073.1(a), provides:

“(a) In addition to any other requirements provided for under this act, the employment contract for a district superintendent or assistant district superintendent shall include objective performance standards mutually agreed to in writing by the board of school directors and the district superintendent or assistant district superintendent.”

performance evaluation did not occur until May 2015, which was nearly a year late.

The District recognized that it didn’t meet the established timeframes for the 2013-14 school year and that 2014-15 was also behind schedule. In an effort to address these delays, the Superintendent and SRC entered into a contract amendment on May 11, 2015, setting forth the revised timing schedule below to get caught up with establishing performance criteria and conducting evaluations.

Performance Evaluations for School Year:	Reach Agreement on Criteria:	Superintendent’s Report of Achievement	SRC Prepares Written Evaluation:	Discussion of Evaluation:	Determination of Performance Compensation:
2013-14	3/26/ 2015	4/16/2015	5/8/2015	5/21/2015	6/1/2015
2014-15	3/26/2015	7/1/2015	7/30/2015	8/28/2015	9/15/2015
2015-16	9/15/2015	6/1/2016	6/30/2016	7/30/2016	9/1/2016
2016-17	6/1/2016	6/1/2017	6/30/2017	7/30/2017	9/1/2017

Despite the revised timelines, the District was once again late in conducting the Superintendent’s annual performance evaluation. The 2014-15 evaluation did not occur until December 2015, which was four months after the deadline in the contract amendment.

District management explained that the establishment of criteria and the annual review process regarding the Superintendent had fallen behind due to turnover with the SRC members. Additionally, the SRC uses the results of annual academic data released by PDE as part of the Superintendent’s performance evaluation. The District explained that this academic data reveals if the District, led by the Superintendent, is showing improvement and/or meeting its academic goals. Since academic data is typically not released by PDE until the fall of each school year, the SRC’s decision to wait for this data has added to its tardiness in conducting the Superintendent’s annual performance evaluations.

The SRC’s failure to follow the terms of the contract for its highest paid official is not a good governance practice and does not provide assurance to the public that the SRC is maintaining adequate oversight of the District. Performance criteria should be agreed upon at the beginning of a school year to establish goals for the Superintendent to work towards. Evaluations should be

***Criteria relevant to the finding
(continued):***

**Provisions Applicable to Schools in
Distress**

Further, Section 6-696 (relating to Distress in school districts of the first class) of the PSC, 24 P.S. § 6-696, specifically states that the District is subject to the above provisions. Specifically, Section 696(i)(3) of the PSC, 24 P.S. § 6-696(i)(3), provides the following:

“(i) In addition to all powers granted to the superintendent by law and a special board of control under section 693 and notwithstanding any other law to the contrary, the School Reform Commission shall have the following powers:

(3) To suspend the requirements of this act and regulations of the State Board of Education except that the school district shall remain subject to those provisions of this act set forth in section 1073, 1073.1, 1076, 1077, 1078, 1080, 1732-A(a), (b) and (c), 1714-B and 2104 and regulations under those sections.”

conducted shortly after completion of a school year or as soon as necessary information becomes available to determine if goals have been met and what corrective action, if any, is warranted.

By not establishing agreed upon performance criteria at the beginning of the year for the 2013-14 and 2014-15 school years, the SRC and the Superintendent could not be assured that they were working towards the same goals and priorities. Additionally, establishing performance criteria after the fact defeats the purpose of having standards at all. Without timely standards, accountability is weakened and performance cannot truly be evaluated.

Further, waiting for the release of PDE academic data creates an inherent conflict with the District’s timelines for conducting performance evaluations. If the SRC continues this practice without revising its current timelines, the Superintendent’s performance evaluations will always be late.

Finally, the SRC’s failure to timely complete performance evaluations as outlined in the contract and amendment also delays determinations about performance compensation that the District may elect to pay the Superintendent.

Noncompliance with the Public School Code

The District did not have an employment contract with the Deputy Superintendent,¹⁷ who began employment with the District on September 17, 2012. Amendments to the PSC were passed on July 12, 2012 requiring all Superintendents and Assistant Superintendents to have a written employment contract with specific provisions, including performance standards. These amendments applied to contracts entered into or renewed on or after September 10, 2012. The Deputy Superintendent began employment after this date, yet the District did not enter into an employment agreement as required.

Employment contracts can increase accountability of key leaders when contract terms are clearly spelled out and adhered to. Moreover, employment contracts may also

¹⁷ The Deputy Superintendent was second-in-command to the Superintendent. Although the title of Deputy Superintendent is unique to Philadelphia, this position is equivalent to an Assistant Superintendent in other districts.

help the District retain administrators by including a specific contract length and/or requiring a minimum number of days advance notice of resignation so that a qualified replacement can be found and trained, as turnover continues to be problematic at the District.

After the Deputy Superintendent resigned on July 1, 2015, the District did not fill this position because it created a new leadership structure for the 2015-16 school year. We will review any contract requirements for positions under the District's new leadership structure during our next regularly scheduled audit of the District.

Recommendations

The *School District of Philadelphia* should:

1. Comply with the timelines established in the Superintendent's contract and amendment **or** revise the timelines to better fit the District's needs and practices so that all of the performance related activities are completed on time.
2. Reevaluate the annual performance evaluation deadlines given the SRC's desire to have academic data available at the time of the evaluation.
3. Ensure that any new or amended contracts for the positions of Superintendent and Assistant Superintendent, or the equivalent titles unique to the District, comply with employment provisions required by amendments to the PSC.
4. Consult with its legal counsel to determine whether the District should have written contracts per the amendments to the PSC for key leadership positions under the revised leadership structure for 2015-16, such as the Chief of Neighborhood Schools and the 13 regional Assistant Superintendents. Even if not required, the District should consider entering into written contracts for these key leadership positions in an effort to increase accountability and potentially reduce turnover.

Management Response

District management provided the following response, which corresponds to the numbered recommendations in this finding:

- “1/2. The School Reform Commission (SRC) is committed to completing a timely and thorough evaluation of the Superintendent tied to concrete indicators of academic success across the School District of Philadelphia. As described in this audit report, the most recent superintendent evaluation (2014-15 school year) was delayed in order to incorporate District-wide data that was released by the Pennsylvania Department of Education (PDE) in October of 2015. Incorporating District-wide academic data into the Superintendent evaluation is critical to producing an evidence-based evaluation. The SRC will comply with the recommendations of this audit report and further revise the Superintendent’s evaluation timeline to account for the release of District-wide academic data in future evaluations.
3. Based on the School District's General Counsel's legal analysis, the School District determined that it was not necessary for Deputy Superintendent Paul Kihn to have an employment contract with the School District. While Mr. Kihn had the title of Deputy Superintendent, he did not function in that manner. Rather, Mr. Kihn functioned more as a Chief of Staff to the Superintendent. Therefore, the School District does not believe that it failed to comply with the Public School Code by not entering into an agreement with Mr. Kihn. Mr. Kihn has left the School District and his position was not filled in kind. Instead, the position of Chief of Staff to the Superintendent replaced the former Deputy to the Superintendent position whose primary oversight role is for non-school based administrative functions.
4. Based on the School District's General Counsel's legal analysis, the School District determined that it was not necessary for any key leadership positions (with the exception of the Superintendent) to have written contracts with the School District per the amendments

to the PSC. This would include the regional Assistant Superintendents and the Chief of Neighborhood Schools who function much differently than the Superintendent with only a limited scope of overlap responsibilities. The School District's General Counsel will consult with the Chief Counsel for PDE to ensure PDE is in agreement with this interpretation and take appropriate actions as needed for any situations found not to be in compliance.”

Auditor Conclusion

We appreciate that the District is committed to completing a timely and thorough evaluation of the Superintendent, and that it is willing to revise the Superintendent's evaluation timeline to account for the release of district-wide academic data for future evaluations.

However, we disagree with the District's General Counsel's opinion that the former Deputy Superintendent did not require an employment contract under the PSC. As stated in the finding, the Deputy Superintendent was second-in-command of the District, which we considered to be equivalent to an Assistant Superintendent in a normal district setting requiring a written employment contract. Furthermore, there was no suggestion during our audit work that the Deputy Superintendent wasn't functioning in that capacity. As such, our position remains that the Deputy Superintendent should have had an employment contract pursuant to the PSC. Although the District has indicated that this position has been eliminated, the Superintendent/Assistant Superintendent contract provisions of the PSC must be taken into account for any similar District position that is equivalent to an Assistant Superintendent in the future.

Finally, we applaud the District's intention to consult with PDE regarding the need for written employment contracts with key leadership positions, such as regional Assistant Superintendents and the Chief of Neighborhood Schools, and to take action accordingly. A district as complex in structure as the School District of Philadelphia should at the very least have a second-in-command to the Superintendent, which would require an employment contract under the PSC. We will follow-up on the outcome of this consultation during our next audit of the District.

Finding No. 4**The District Failed to Ensure that 43 Percent of School Bus Drivers We Tested Met All Employment Requirements*****Criteria relevant to the finding:***

The Pennsylvania Vehicle Code and Pennsylvania Department of Transportation's regulations require bus drivers to possess a valid driver's license, obtain certification of safety training, and pass a physical examination. (See 75 Pa.C.S. §§ 1508.1, 1509 and 67 Pa. Code §§ 71.1- 71.6)

Section 111 of the PSC, 24 P.S. § 1-111, as amended, requires state and federal criminal background checks, and Section 6344 of the Child Protective Services Law (CPSL), 23 Pa.C.S. § 6344, as amended, requires a child abuse clearance.

Specifically, Section 111(b) of the PSC requires prospective school employees who have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police.

The District failed to meet its statutory obligations related to the employment of individuals having direct contact with children. Specifically, of the bus driver records we tested, we found 21 of 49 bus drivers, or 43 percent, failed to meet at least one employment requirement. Most significantly, we found that the District used two bus drivers who were ineligible for employment based on prior criminal convictions. The District continued to use another driver without considering the individual's prior conviction pursuant to the addition of Section 111(f.1) of the PSC, effective September 28, 2011 (see Criteria Box).

Several state statutes and regulations establish the minimum required qualifications for school bus drivers. The ultimate purpose of these requirements is to ensure the safety and welfare of the students transported in school buses. The District hires its own drivers and also contracts with nine bus companies. We obtained a list of all District and contracted bus drivers hired from March 2009 through June 2014. We randomly selected 49 drivers, or ten percent,¹⁸ of drivers hired during this time frame and reviewed their personnel records and clearances to determine if those drivers met the minimum qualifications to transport students and are free of criminal convictions impacting employment eligibility.¹⁹

Pre-employment requirements

We requested documentation to verify that the bus drivers we tested complied with the following pre-employment qualification requirements in compliance with the Pennsylvania Vehicle Code and Department of Transportation's regulations:

- Possession of a valid driver's license.

¹⁸ There was a total of 1,113 bus drivers of which 482 were hired between March 2009 and June 2014.

¹⁹ After reviewing documentation for qualifications for the 49 drivers, we determined that 3 of the drivers were actually hired prior to March 2009. The list of drivers we obtained from the District had incorrect hire dates for these three drivers.

Criteria relevant to the finding (continued):

Additionally, Section 111(c.1) of the PSC requires public and private schools to review federal criminal history record information (CHRI) records for all prospective employees and independent contractors who will have direct contact with children, and make a determination regarding the fitness of the individual to have contact with children. The law requires the report to be reviewed in a manner prescribed by PDE. The review of CHRI reports is required prior to employment, and includes school bus drivers and other employees hired by independent contractors who have direct contact with children.

Section 111(b) of the PSC also requires that both state and federal criminal history records are not more than one (1) year old at the time of employment. It also requires school administrators to obtain the required records prior to employment and to maintain a copy on file with the employment application, including documentation for individuals hired by a contractor.

Section 111(e) of the PSC lists convictions for certain criminal offenses that require an absolute ban to employment.

In addition, effective September 28, 2011, Act 24 added Section 111(f.1) to the PSC which provides that a 10, 5, or 3 year *look-back period* for certain convictions be met before an individual is eligible for employment.

- Completion of school bus driver skills and safety training.
- Passing a physical examination.

We also reviewed documentation (i.e., background clearance documents) to confirm that the District obtained the following background checks prior to employment in compliance with Section 111 of the PSC and the CPSL:

- State Criminal History Records.
- Federal Criminal History Records.
- Official Child Abuse Clearance Statement.

We reviewed the above background clearance documents to determine if the drivers had any convictions for certain criminal offenses that require an absolute ban or temporary (i.e., *look-back period* must be met) ban to employment.

Convictions impacting employment eligibility

Most significantly, we found two contracted bus drivers that had convictions that should have precluded them from being hired into a position requiring direct contact with children. One of these individuals had a criminal conviction requiring an absolute ban on employment based on Section 111(e) of the PSC. The other driver had a criminal conviction that should have barred employment for ten years based on Section 111(f.1) of the PSC requiring *look-back periods* before employment eligibility for certain offenses. Additionally, one contracted driver was eligible for employment at the time of hire, but the District failed to consider the driver's prior criminal conviction on continued employment eligibility based on the addition of Section 111(f.1) to the PSC.

Noncompliance with pre-employment requirements

With regard to the criminal and child abuse clearances, we found 13 of the 49 drivers tested, or 27 percent, had one or more deficiencies in the following areas:

- Clearances were not obtained.
- Clearances were older than one year at the time of hiring.
- Clearances were obtained after date of hire.

Criteria relevant to the finding (continued):

Section 111(g)(1) of the PSC provides that an administrator, or other person responsible for employment decisions in a school or other institution under this section who willfully fails to comply with the provisions of this section commits a violation of this act, subject to a hearing conducted by PDE, and shall be subject to civil penalty up to \$2,500.

Section 6344(a.1)(1) of the CPSL and Section 3490.132 of the Pennsylvania Department of Human Services' (DHS) regulations, 55 Pa. Code § 3490.132, require prospective school employees to submit an official child abuse clearance statement, from the immediately preceding year, from DHS at the time of employment. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

Effective September 28, 2011, amendments to Section 111 of the PSC brought about through Act 24 required **all current school employees** to submit an "Arrest/Conviction Report and Certification" form to their employing school entity indicating whether or not they have ever been arrested or convicted of any Section 111(e) or (f.1) offense by December 27, 2011. Furthermore, all employees subsequently arrested or convicted of a Section 111(e) or (f.1) offense must complete the form within 72 hours of the arrest or conviction and file it with the school.

One of the thirteen drivers also had a prior criminal conviction that may affect continued employment eligibility. Further, our testing found one driver that did not have a current annual physical exam.

Post-employment requirements

In 2011, Section 111 of the PSC was amended to require all **current** school employees, including contracted bus drivers, to file an *Arrest/Conviction Report and Certification Form* by December 27, 2011. This form would indicate whether or not the driver was arrested or convicted of a Section 111 criminal offense²⁰ potentially impacting employment eligibility based on the revised law. This same form is also to be used to provide written notice within 72 hours after an arrest or conviction of one or more of Section 111 criminal offenses.

Noncompliance with post-employment requirements

We reviewed bus driver records to determine compliance with both the one time filing date, as well as the 72 hour notice after arrest or conviction. We found that six of the drivers did not file the form and four other drivers filed the form after the filing deadline of December 27, 2011. Two of the drivers that failed to file or filed late were the same drivers that had criminal convictions that impacted their employment eligibility.

Effect of District's failure to meet employment responsibilities

It is the responsibility of District management to have adequate policies and procedures in place to ensure that all employees or contracted employees who have direct contact with children have the proper qualifications prior to employment. By not having the required bus driver qualification documents on file at the District, District personnel were not able to verify whether all drivers were properly qualified to transport students. Having unqualified or unsuitable drivers transport students results in noncompliance with the PSC, the CPSL, the Pennsylvania Vehicle Code, and the applicable regulations. In addition,

²⁰ Convictions of specific criminal offenses are defined under Sections 111(e) and (f.1) of the PSC, effective September 28, 2011.

Criteria relevant to the finding (continued):

Additionally, Chapter 23 (relating to Pupil Transportation) of the State Board of Education Regulations, among other provisions, provides that the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations. (See in particular 22 Pa. Code § 23.4)

Section 6444.4 of the CPSL, 23 Pa.C.S. § 6344.4(1)(ii), now requires recertification as follows: “(1) Effective December 31, 2014:*** (ii) School employees identified in Section 6344(a.1)(1) shall be required to obtain reports under Section 111 of the [PSC]..., and under section 6344(b)(2) **every 60 months.**” [Emphasis added.]

the unqualified or unsuitable drivers created an increased risk to the safety and welfare of students.

Any failure to collect, or delay in collecting, required employment documentation may delay the identification of individuals who should not be allowed to have direct contact with children. Similarly, the failure to review and document continued employment eligibility based on revisions to the law and new absolute bans and *look-back periods* for prior criminal convictions may result in individuals having direct contact with children when they may not be suitable to do so. Therefore, it is imperative that the District implement sound and effective procedures to ensure that all its bus drivers, both employed by the District and those employed by a contractor, have met the statutorily mandated requirements.

In addition to the increased safety risk, the District could be subject to financial penalties for its failure to ensure compliance with Section 111(g)(1) of the PSC. If PDE determines that the District violated this section of the PSC, then after a hearing, PDE could assess a civil penalty up to \$2,500.

Noncompliance and lack of oversight

When we presented our test results to District officials, they indicated that they would request that the contractors remove the two drivers who weren't eligible for employment at the time of hiring from all District routes. In the case of the contracted driver with a criminal conviction potentially affecting employment eligibility due to revisions to Section 111 of the PSC, the District said that it will refer the matter to the District's Law Department for review because the hiring of this driver did not violate the statute in effect at the time the driver was hired.

Further, District management indicated that it will request and obtain all missing clearances for District drivers and contracted drivers identified during our audit work, as well as updated clearances for those individuals whose clearances were obtained more than one year prior to employment.

Finally, the District provided us with three of the six *Arrest/Conviction Report and Certification Forms* for

contracted drivers that had not been previously provided. However, we determined that two of the three forms contained inaccurate information that should've been reviewed by the District and corrected by the driver. As such, these two forms were unacceptable.

Recommendations

The *School District of Philadelphia* should do the following regarding both District and contracted bus driver qualification requirements:

1. Obtain and review drivers' missing background clearance documents to ensure that drivers possess proper qualifications. This includes obtaining and reviewing updated background clearance documents for those drivers whose clearances were obtained more than one year prior to their date of hire.
2. Strengthen record keeping internal controls at the District. This would include ensuring all current driver records, even those we did not test, contain sufficient documentation to verify the qualifications of District's bus drivers.
3. Review *Arrest/Conviction Report and Certification Forms* obtained from prospective or current employees for completeness and accuracy.
4. Comply with all employment obligations contained in revisions to Section 111 of the PSC. This includes reviewing all background clearance documents and *Arrest/Conviction Report and Certification Forms* for current bus drivers and documenting continued employment eligibility on a case-by-case basis, with student safety serving as the utmost consideration.

Management Response

District management provided the following response, which corresponds to the numbered recommendations in this finding:

- “1. As part of the implementation of the new Act 15 rules (formerly Act 153), the School District of Philadelphia (SDP) Office of Talent sent out guidance that required

all District employees hired before December 31, 2011 to obtain current background and clearance documents by December 31, 2015. All internal bus drivers were required to comply. A process was put in place by the Office of Talent to: 1) collect the required documentation from all employees, 2) review by for both completeness and proper qualifications, 3) communicate to the employee that the documentation was received and in compliance, and 4) ensure all SDP employees had updated Central Personnel Files with complete information. All persons in the audit sample who were hired prior to December 31, 2011, have recently resubmitted all their clearances (e.g., PA Criminal Check, FBI Check and Child Abuse Check) and their information is now being validated to ensure it is up-to-date. On an annual basis moving forward, employees will be required to submit new clearances every fifth calendar year by December 31st (i.e. if your start date is September 2014, updated clearances are due no later than Dec. 31, 2018, etc.). New employees will not be able to begin employment until they have submitted required background clearances.

All external bus vendors are required to comply with the requirements of Act 15 and directed by the School District's Department of Transportation to do so. They are required to resubmit clearances to the Department of Transportation for their drivers at the beginning of each contract. They are also required to present the Department of Transportation with post-employment documents (valid driver's licenses, health physical card, safety training certification card) for their drivers annually. The external bus vendors are complying and sending the Department of Transportation the required documentation. The Department of Transportation is collecting the required documentation and reviewing all external vendor driver files for both completeness and proper qualifications. The Department of Transportation is contacting external vendors whose drivers are missing or have issues with their clearances/documents and requiring resubmission of these clearances/documents. The District will re-emphasize with vendors that bus drivers not be assigned to School District bus routes until the clearances are up to date and they meet proper qualifications as required by law.

The School District of Philadelphia (SDP) Department of Transportation in conjunction with the Office of Talent will ensure employment requirement data for SDP and vendor bus drivers is complete, including not only the background clearance documents, but also valid driver's licenses, required physical examinations and safety training. By September 2016, all the information in a bus driver's file will be reviewed by the Department of Transportation (vendors) and the Office of Talent (employees) to ensure they comply with the qualifications required law.

2. As mentioned in the response to Finding 4, No. 1 above, the District recently required internal bus drivers hired before December 31, 2011 to submit current clearances as required by Act 15. External bus vendors are required to comply with Act 15, their current driver clearances are required to correlate with the date of their School District contract or contract extension (3 or 5 years). If the contract is older than the clearances, then the drivers are required to apply for new clearances. On an annual basis going forward, the District will ensure that all new bus drivers have met the criteria for clearances and the Pennsylvania Vehicle Code and State Department of Transportation (DOT) to be a bus driver. In addition, updated submissions in accordance with all Pennsylvania and SDP requirements will be mandatory for continued employment and all individual's files reviewed for continued compliance. Appropriate actions will be taken if a bus driver is found not to be in compliance or does not meet employment criteria to be a bus driver on a District bus route.

The District will reinforce its policies and procedures with responsible staff members in the Office of Talent and the Department of Transportation. The District will strengthen its review; monitoring and follow-up processes to ensure bus driver personnel files are complete and not allow employment to begin until they are reviewed for compliance with applicable laws and policies. This should provide an added incentive for employees timely obtaining the necessary qualification documentation. The District will ensure the proper documentation for internal bus drivers is filed with the SDP Office of Personnel records where the information

will be scanned and become part of the employee's central personnel file. The same procedures will be followed for the files of vendor-employed drivers. However, the SDP Department of Transportation will maintain these files.

With respect to District employed bus drivers, the District will follow its qualification policies and procedures and current PA State laws a part of the regular hiring process in place. Every district bus driver is required to attend a pre-employment orientation meeting where the clearance and other required documentation are provided. The District will emphasize at the employee orientation that employment cannot begin until an employee's file is complete with all required documentation.

With respect to vendor bus drivers, the District's contract with Transportation vendors contains requirements that they must comply with required State laws, clearance and criminal history requirements. All vendor employed bus drivers must follow the same policies and procedures for employment on a District route as a District employed bus driver with no exceptions. The contract requirements have been reinforced to vendors and the District requires the vendor to supply documentation to the District to show compliance. The external bus vendor's contract with the District contains language that requires that their policies related to State laws, clearances and criminal history requirements are accurate, complete and in compliance with District policy, the Contract and the law, including both the old and new regulatory requirements which were to have been implemented by December 31, 2015.

Due to multiple external bus vendor garages and high turnover rate of bus drivers, it is extremely difficult to maintain a clean employee requirements database in the current manual document management system. The Department of Transportation is researching the functional requirements and potential for a document management system with a various technical capabilities, such as on-line submission of credentials, workflow/approval process, expiration tracking, and document retention as a longer-term solution.

Implementing this system is critical, as it will be used to assist Transportation with the ongoing collection and management of bus vendor employee's records.

3. As part of the documentation compilation, process underway by the SDP Department of Transportation, Act 24 information on arrest/convictions and certification forms is being collected for internal and vendor bus drivers. The documentation will be reviewed to ensure the driver meets both compliance and employment requirements to drive a SDP bus route. This information will be scanned and become part of the individuals personnel file whether an employee or a vendor bus driver. Employee files will be maintained in the SDP Office of Personnel Records and vendor employee files will be maintained in the SDP Department of Transportation.

The SDP will review the criminal history of its current drivers. To the extent any driver has a conviction that would bar employment under the statute as amended in 2011 but whose convictions(s) did not bar employment under the statute as written when the employee was hired, a determination will be made by District legal counsel whether such employee may be separated from employment.

The District SRC Policy 304, Employment of Personnel, is under review and will be amended to reflect the changes in the statute. Under Act 24, the District has policies and procedures in place that require bus drivers to file an Arrest/Conviction Report Form, PDE-6004 when they are arrested or convicted of a 111(e) offense. The form is filed with the District's Staffing Office for employees and the SDP Department of Transportation for vendor bus drivers. It is the responsibility of the individual to self-report.

4. The SDP will comply with all employment obligations contained in revisions to Section 111 of the PSC. The District will comply with all employment obligations contained in the revisions to Section 111 of the PSC for both current and prospective employees. This includes reviewing all background clearance documents, Arrest/Conviction Report, and Certification Forms for current bus drivers and documenting continued

employment eligibility on a case-by-case basis, with student safety serving as the utmost consideration.”

Auditor Conclusion

We are most encouraged that the District is implementing all of the provisions of Act 15 of 2015, which helped to clarify the more than 20 related acts amending the CPSL in 2014 and 2015. We are also pleased that the District has developed policies and procedures to ensure compliance with all of the requirements relating to background clearances and employment requirements. Since these procedures were developed after our audit work, we will evaluate their implementation and effectiveness during our next regularly scheduled audit.

Finding No. 5**The District Failed to Ensure that its School Police Officers Met All Employment Requirements and Minimum Annual Training Hours***Criteria relevant to the finding:***School Police Officer Training Requirements**

Section 778(b.1) of the PSC, 24 P.S. § 7-778(b.1), as amended, requires school police officers who have been granted court-approved powers under subsections (c)(2) or (3) or has been authorized to carry a firearm, before entering upon their duties of office, to have:

- Successfully completed the Municipal Police Officers' Education and Training Program training; OR
- Graduated from the Pennsylvania State Police Academy **and** been employed as a State Trooper with the Pennsylvania State Police.

Section 203.52(b)(2) of the Pennsylvania Code, 37 Pa. Code § 203.52(b)(2), requires at least 12 hours of annual in-service training for all police officers as determined yearly by the Municipal Police Officers' Education and Training Commission.

Background Clearances

Please see the criteria box for Finding No. 4 for provisions specific to criminal background check and child abuse clearance requirements for individuals having direct contact with children.

The District failed to ensure that its school police officers have met all employment requirements and have completed minimum annual training requirements. Specifically, we found that 16 of the 33 officers we tested, or 48 percent, had at least one deficiency related to the three background clearances required prior to employment of individuals having direct contact with children. Most troubling, four of those officers were cited in our prior audit, and the District failed to require and obtain the missing clearances.

Additionally, we found that the District continues to employ new officers that have not completed the Municipal Police Officers' Education and Training Program (MPOETP), despite the recommendation made in our prior audit to hire individuals who already have completed the MPOETP. The District hired 72 new officers since our last audit without requiring completion of the MPOETP prior to commencing employment. These new hires represent nearly 25 percent of the school police officers currently employed by the District. Finally, we found that not all officers had completed 12 hours of annual continuing education training, which is the minimum number of hours required to maintain the MPOETP certificate.

School police forces, especially those in a district the size of the School District of Philadelphia, must be properly qualified and well trained to respond to the volume and types of incidents occurring in its schools. Having improperly qualified or insufficiently trained school police officers could compromise the safety of District students and staff.

Noncompliance with Employment Requirements Regarding Criminal Convictions

As discussed in detail in Finding No. 4, state law requires that all prospective employees who will have direct contact

with children must obtain the following three background clearances prior to employment:

1. Pennsylvania State Police Criminal History Record.
2. Federal Criminal History Record.
3. Pennsylvania Child Abuse History Clearance.

In 2011, the PSC was amended to require the use of a standardized form, called an *Arrest/Conviction Report and Certification Form*,²¹ to consider the criminal history of current employees hired before all three background clearances were required and arrests or convictions occurring after the date of hire. (See the criteria box in Finding No. 4 for additional details on these requirements.) Public school administrators are to consider this information for continued employment eligibility.

The District did not ensure that newly hired officers complied with all employment requirements

We reviewed the files of 33 out of 337 school police officers hired prior to December 8, 2014, to determine if they had the required background clearances on file. This review included six school police officers cited in our prior audit.

We found 12 of the 33 officers tested were missing at least one of the required clearances. Four of those officers were cited in our prior audit and the District failed to obtain the clearances as we recommended. Three of the twelve officers were missing more than one clearance. We also found five officers had obtained their clearances either more than one year prior to employment or after employment, both of which are prohibited. Finally, we found that one officer had not filed the required *Arrest/Conviction Report and Certification Form* self-certifying that he/she had no arrests or convictions of an offense potentially impacting employment eligibility.

District administration indicated that they are aware of the clearance requirements for new employees and have policies and procedures in place to assist in ensuring that officers have those clearances. However, the downsizing of central office staff has created a challenge to adequately

²¹ Also known as Form PDE-6004.

monitor the implementation of those policies and procedures. Our test results illustrate the District's inadequate monitoring.

Noncompliance with Employment Requirements Regarding the Education and Training Program

The PSC provides that school police officers who hold specific, court-approved powers, including the authority to issue summary citations and/or to detain individuals until arrival of local law enforcement,²² must successfully complete the MPOETP before they begin employment. Since the District's school police officers are sworn in by a judge of the Court of Common Pleas and have these specific powers, they are subject to and must complete the MPOETP requirements. During our prior audit of the District, we strongly recommended and urged the District to only hire individuals who have already completed the MPOETP pursuant to the law. Hiring new officers with the MPOETP certificate would be at no additional cost to the District.

None of the 72 new hires completed the education and training program

To determine if the District implemented our recommendation, we requested evidence of completion of the MPOETP for the 72 new school police officers hired between July 1, 2011 and December 8, 2014. The District indicated that none of these officers have the MPOETP certification. As with our last audit, the District maintains its position that its school police officers are not required to have MPOETP certification because they are not municipal police officers. As such, the District does not make the MPOETP certification a condition of employment for new school police officers. Additionally, the District does not sponsor or administer MPOETP approved continuing education classes.

While we agree that the District's officers do not hold the title of "municipal police officer," all of the District's school police officers have been sworn in and granted court-approved powers, including the authority to issue summary citations and to detain individuals until arrival of

²² 24 P.S. § 7-778(c)(3).

local law enforcement, as permitted under Section 778(c)(3) of the PSC. Consequently, pursuant to Section 778(b.1) of the PSC, **every** school police officer who has been granted powers under Section 778(c)(2) or (3) must successfully complete the MPOETP before beginning employment.²³

Non-compliance with Annual Training Requirements

In addition to completing the MPOETP before starting the job, Section 203.52(a) of the *Pennsylvania Code* mandates specific in-service training for all school police officers.²⁴ The academic in-service requirement consists of at least 12 hours of annual training as determined yearly by the Municipal Police Officers' Education and Training Commission. Moreover, as clearly required by the PSC, Section 778(a.1)(3) of the PSC²⁵ mandates any school entity that employs a school police officer under Section 778 to report annually to PDE, Office of Safe Schools, the date and type of training that is in compliance with the MPOETP to be provided to each school police officer.

Failure to ensure minimum annual training requirements

We reviewed training records for 33 of the 337 school police officers employed during the four consecutive school years ending June 30, 2014, to determine if these individuals completed the required minimum of 12 hours of annual training.

²³ Section 778(b.1) of the PSC was amended to allow either the MPOETP certificate or graduation from the Pennsylvania State Police Academy **and** prior employment as a State trooper with the Pennsylvania State Police. However, all of the school police officers tested were employed prior to the amendment's effective date of September 8, 2014, so it did not apply to our test group.

²⁴ 37 Pa. Code § 203.52(b)(2).

²⁵ 24 P.S. § 7-778(a.1)(3).

We found that of the 33 officers we tested, the following did not meet the minimum annual 12 training hours:

School Year	Number of school police officers that did not meet minimum training
2010-11	16
2011-12	2
2012-13	3
2013-14	4

Since the District does not believe its school police officers are subject to any of the MPOETP requirements, it does not pay for or administer training associated with the MPOETP. However, the District did offer more than 12 hours of annual, in-service trainings for its school police officers, but did not ensure that all officers completed at least 12 hours of annual training.

Although the District asserts that the MPOETP requirements do not apply to its school police officers, the District indicated that it does annually report the date and type of training received by its school police officers to PDE.

Importance of properly qualified and well trained school police officers

The need for a comprehensively trained school police force is demonstrated in the District's incident statistics. According to school safety reports for the 2013-14 school year,²⁶ approximately 50 percent of the District's reportable incidents involved local law enforcement, which is nearly double the statewide rate. Similarly, the District reported over 20 percent of its reportable incidents were assaults on staff and students, about 1.5 times the statewide rate.

Considering the volume and severity of the incidents occurring within the District, as well as the need for school police officers to interact with students and staff, it is imperative that the District require its school police officers to be qualified and well trained for their positions.

²⁶ Most recently available school year.

Moreover, the need for continual in-service training is heightened by the fact that the District experienced a high turn-over rate over the past three and half years, as approximately 25 percent of its current school police officers were hired during that time. With so many new officers on the force, the District must do more to ensure that each officer is sufficiently trained to handle the duties of the job.

Recommendations

The *School District of Philadelphia* should:

1. Restrict the hiring of new school police officers to those who have already completed the MPOETP or graduated from the Pennsylvania State Police Academy **and** been employed as a State Trooper with the Pennsylvania State Police, as required by Section 778(b.1) of the PSC.
2. Ensure that all of its current school police officers receive at least 12 hours of in-service training annually, as required by *Section 203.52(b)(2) of the Pennsylvania Code*.
3. Immediately obtain any missing background clearances and the *Arrest/Conviction Report and Certification Form* for those individuals identified during our audit who were missing documentation or who obtained clearances more than one year prior to their hire dates to ensure that all school police officers have proper qualifications for routine interaction with students.
4. Review the files of all current school police officers not included in our testing to ensure that all required background clearances and the *Arrest/Conviction Report and Certification Form* are on file and were timely obtained, as required. Any missing or untimely documentation should be immediately corrected and reviewed by the District to ensure that all school police officers have proper qualifications for routine interaction with students.

Management Response

District management provided the following response, which corresponds to the numbered recommendations in this finding:

“1. The School District recognizes that Act 120 training is a quality-training program, particularly for sworn officers who engage in the kinds of law enforcement activities typically carried out by municipal police departments. However, the District's school safety personnel are not municipal police officers and do not undertake the same kinds of activities as those sworn officers. Act 120 training is not mandated by state law for the District's school safety personnel because no court authorized them to exercise the police powers delineated under 24 P.S. § 7-778(c)(3). Accordingly, it is our belief that our school police officers do not fall under the Act 120 training requirement.

Municipal police forces receive state subsidies to cover the cost of Act 120 training. The School District is not eligible for these subsidies. The lack of these subsidies would make the cost of mandatory Act 120 training much more expensive for the District than it is presently for municipal police departments. State legislative action would be required to make Commonwealth police training funds available for the District's school police candidates.

The District also notes that imposition of a mandatory Act 120 training requirement would force the School District to compete for school police candidates in the same labor pool as local municipal police departments. This could impair the School District's ability to recruit an adequate pool of qualified candidates and would be likely raise the District's costs.

The School District will continue to evaluate the applicability of 24 P.S. § 7-778(c) (3) to its school safety professionals. We agree with the Auditor General that the school climate and safety challenges facing our schools require the best possible team of professionals. We are ready and willing to work with the Auditor General's Office and other stakeholders to pursue new initiatives and available funding

opportunities to enhance our District's school climate and safety programs and the quality and effectiveness of our District's school safety professionals.

2. The School District understands the importance of continuing professional development for the District's school safety professionals. While it is our position that the Pennsylvania School Code does not require our safety personnel receive Act 120 training, we agree that it is desirable to expand the in-service training offered to our officers. We are always striving to increase and improve our in-service training program. We currently provide a wide range of training sessions throughout the year for our school police officers. In the last two years, our officers have received training on subjects such as legal updates, single school culture, positive behavior support, report writing, basic investigations, customer service and special education training.

In the future, we will look to increase the amount of training opportunities we can provide for our officers by taking advantage of the designated professional development days provided by Office of Professional and Staff Development.

3. As part of the implementation of the new Act 153 rules, the School District of Philadelphia (SDP) Office of Talent sent out guidance that required all District employees hired before December 31, 2011 to obtain current background and clearance documents by December 31, 2015. All School Police Officers identified during the audit as having deficiencies with missing background clearances were hired prior to January 1, 2012 and, therefore would have been required to submit this information. Any employee who is still out of compliance in submitting this required information will be scheduled for a hearing. The information will be reviewed for compliance with applicable laws and regulations by June 30, 2016 and appropriate action will be taken for any individual who remains out of compliance on this date. On an annual basis moving forward, employees will be required to submit new clearances every fifth calendar year by December 31st (i.e. if your start date is September 2014, updated clearances are due no later than Dec. 31, 2018, etc.). New employees will not be able to

begin employment until they have submitted required background clearances.

As part of the hiring process, all new employees, including School Police Officers, are required to fill out a General Information Certification Form, on which they must attest to any prior convictions beyond minor traffic violations, as well as the Arrest/Conviction Report and Certification Form. The Arrest/Conviction Report is no longer a requirement; however, we believe that with the implementation of the new Act 153 rules for all employees and the General Information Certification Form for new employees, the same information is obtained.

4. There are 124 School Police Officers hired January 1, 2012 or after. Each of those files will be checked for compliance and any missing documentation timely obtained and reviewed to ensure that the school police officer has the proper qualifications for routine interaction with students as required by laws and regulations and SDP policies and procedures. Going forward, all files of School Police Officers will be maintained current with required information.”

Auditor Conclusion

We are pleased that the District recognizes the value of the MPOETP certification and training. However, we disagree with the District’s assertion that MPOETP requirements are not required for its school police force.

As acknowledged by the District, Section 778(c)(3) of the PSC clearly states that officers who are granted authority by the court to issue summary citations or to detain individuals until local law enforcement is notified are required, before beginning employment, to successfully complete the training set forth under 53 Pa.C.S. Ch. 21 Subch. D (MPOETP) or have graduated from the Pennsylvania State Police Academy and have been employed as a state trooper with the Pennsylvania State Police. While the District is proclaiming that no court authorized its school police officers to exercise the powers delineated under Section 778(c)(3) of the PSC, this statement is contrary to the information that we obtained.

During our audit, we confirmed with District administration that the District's school police officers are appointed by the court, and that they have the power to issue summary citations and to detain individuals until local law enforcement arrives. District administration further clarified that school police have powers to issue Code Violation Notices to enforce Disorderly Conducts if the grading is going to be a Summary Offense, and that they also have the powers to issue Summary Offenses in the form of a Ticket Violation Report for parking tickets. Additionally, school police detain students until the Philadelphia Police arrive in situations that rise to the level of a misdemeanor or where local law enforcement is needed. Consequently, we continue to hold the opinion that the MPOETP requirements do apply to the District's school police officers and that they should receive MPOETP certification prior to employment.

Section 778(b.1) of the PSC, 24 P.S. § 7-778(b.1), is clear that “**Every** school police officer who has been granted powers under subsection (c)(2) or (3)²⁷...**must**, before entering upon the duties of his office, **successfully complete training as set forth in 53 Pa.C.S. Ch. 21 Subch. D** or have graduated from the Pennsylvania State Police Academy and have been employed as a State trooper with the Pennsylvania State Police. [Emphases added.] Since the District does not believe its school police officers are subject to any of the MPOETP requirements, it also believes that the 12 hours of annual training determined yearly by the Municipal Police Officers' Education and Training Commission is not applicable to its school police force.

Again, we respectfully disagree with the District's position on the grounds that we believe its school police are subject to the MPOETP requirements due to their court appointed powers. Additionally, it should be noted that Section 778(a.1) of the PSC requires school entities employing school police officers that fall under the MPOETP requirements to report annually to PDE on the training received by its school police officers under 53 Pa.C.S. Ch.

²⁷ 24 P.S. § 7-778 “(c)...(2) If authorized by the court, to exercise the same powers as are now or may hereafter be exercised under authority of law or ordinance by the police of the municipality wherein the school property is located. (3) If authorized by the court, to issue summary citations or to detain individuals until local law enforcement is notified.”

21 Subch. D. The District does offer in-service training to its school police, albeit not MPOETP approved training specifically, and it indicated that it does annually report the date and type of training received by its school police officers to PDE. If the District believes that the MPOETP requirements do not apply, then we question why it is following the requirement to report annual training hours to PDE.

However, the District raises a legitimate point about the cost of annual MPOETP training and the fact that school districts, unlike municipal police departments, do not receive state subsidies to reimburse costs of MPOETP training. We agree with the District that state legislative action is necessary to make Commonwealth police training funds available to school district police officers requiring annual MPOETP training.

Finally, with regard to the clearance requirements, we are encouraged that the District has developed procedures to comply with revisions to Section 111 of the PSC. However, based on the District's statement in its reply that the *Arrest/Conviction Report and Certification Form* is no longer a requirement moving forward, we believe that the District may not be fully aware of additional revisions to applicable background clearance laws. Please note that Act 4 was passed on February 16, 2016, further amending Section 111 of the PSC to bring it into alignment with recent changes to the Child Protective Services Law under Act 15 of 2015 clarifying prior amendments in 2014 and 2015. While the big change focused on the timing and validity of background clearances, Act 4²⁸ also clarified that prospective employees (i.e. new applicants) are required to complete the Arrest/Conviction Report and Certification Form as part of the hiring process indicating they have not been disqualified from employment. We recognize that there have been several changes to laws impacting background clearances, so we continue to encourage the District to be mindful of any legal changes and requirements impacting its prospective and current employees.

²⁸ Act 4 requires that the applicant must provide "the administrator with the report described in subsection (j)(1) indicating that the individual has not been disqualified from employment pursuant to subsection (e) or (f.1)."

Since the District has indicated that it implemented new procedures after our audit work was completed, we will evaluate their application and effect during our next regularly scheduled audit.

Finding No. 6**The District’s Student Data Submitted to PDE to Calculate State Subsidies and Used for Educational Decision-Making Was Not Sufficiently Reliable*****Criteria relevant to the finding:***

School districts, charter schools, intermediate units, and other local education agencies (LEAs) must report their student membership data to PDE in the Pennsylvania Information Management System (PIMS) in order to meet state and federal filing requirements. The term “membership” refers to the number of days a student is enrolled in a district or other LEA.

What is PIMS?

PIMS is a statewide, longitudinal data collection system used by PDE to manage and track student data for each student served by Pennsylvania’s Pre-K through Grade 12 public education system.

PIMS went into effect in 2009-10, replacing the former Child Accounting Database (CAD) system.

Accuracy Certification Statement (ACS) and Data Quality:

PDE requires that the Superintendent or Chief School Administrator sign an ACS verifying the accuracy of the data submitted to PDE. For example, the *Child Accounting ACS* reads, “This data represents a complete and accurate statement of average daily membership and average daily attendance for the reporting year.”

The District’s student data electronically submitted to the PDE for the 2012-13 reporting year was not supported in many cases by hardcopy documentation, and we therefore concluded that the data was not sufficiently reliable.

Specifically, we found a lack of permanent student records (hardcopy documentation) to support data submitted to PDE and discrepancies between attendance reports and classroom roll sheets. Consequently, the District did not supply PDE with complete and accurate student data for usage in average daily membership and average daily attendance calculations. The District’s failure to maintain accurate student data has been a continual problem, as we found similar issues during our prior audits dating back to the 1990’s.

Without accurate attendance data and classroom roll sheets, the District will not be able to address truancy concerns in collaboration with the Philadelphia Department of Human Services’ Office of Truancy Prevention.²⁹ We found, among other things, that the District was unable to support the attendance data in the School Computer Network (SCN) and PIMS for almost 65 percent of student records we tested.

Effect of not sufficiently reliable student data

Inaccurate reporting of student membership and attendance data has a two-fold effect at the District level: fiscal and academic. Student membership is the primary record documenting where a student is enrolled and what district is financially responsible for that student. Since enrollment is a factor in determining certain state subsidies and the calculation of certified elementary and secondary tuition rates and charter tuition rates, inaccurate student data may result in subsidy overpayments or underpayments and incorrect tuition rates or payments.

²⁹ http://dhs.phila.gov/intranet/pgintrahome_pub.nsf/Content/Prevention+-+Policies+and+Protocols

Criteria relevant to the finding (continued):

According to PDE, the accuracy of all data elements is important to:

- Academic Achievement
- School Performance Profile
- Educator Effectiveness
- Program Funding
- More Effective Decision-Making

District Policy: Further, according to page 18 of the District’s *Student Attendance and Child Accounting Manual*, “The Roll Sheet is the District’s official teacher record of student information and attendance...Roll sheets should be monitored and compared to SCN/ScholarChip in order to verify that attendance is the same....” Page 9 of the same policy lists the following responsibilities of the principal:

“Roll sheets should be routinely monitored and compared to the SCN/ScholarChip in order to verify that the attendance records are accurate... The information in the roll sheets and the information on the School Computer Network/ScholarChip must match. To this end, principals are strongly encouraged to inspect Roll Books and provide the appropriate feedback to teachers on an on-going basis.”

Student data also contains important demographic information that factors into a school’s overall academic performance results, such as its School Performance Profile (SPP) score. Inaccurate student data could result in miscalculations and/or misinterpretations of academic results. Additionally, regular school attendance is an integral part of each student’s academic success and contributes to improvement in academic skills. The lack of reliable attendance data adversely impacts the District’s efforts to improve attendance, account for all students entrusted to the District, and to comply with compulsory school attendance laws.

Further, inaccurate student data also impacts aggregate data collections used for educational decision-making. Since student data submitted to PDE is used by officials at both the state and federal levels to develop and enforce educational policy, any data deemed to be not sufficiently reliable impedes transparency and accountability and interferes with predictive analysis and continuous improvement efforts. Without accurate data, state and federal administrators cannot make quality, evidence-based decisions about educational programs and results.

Determining the reliability of student membership and attendance data

We selected a random sample of 51 students and requested the detailed attendance data from the District’s SCN to support the data reported to PIMS.³⁰ After we tied the detailed District data to the PIMS summary data without exception, we requested the hardcopy permanent records for each student to determine if the hardcopy records supported the data uploaded to PIMS in order to determine whether the data was reliable.

Attendance data for 65 percent of students tested was unsupported

We found that for 18 of 51 students tested, the attendance data recorded in the SCN and in PIMS did not agree with the teachers’ manual roll sheets (considered to be the official record of attendance for the student by District

³⁰ Our statistically-based, sequential sampling plan was designed at a 10 percent risk of overreliance with a 5 percent tolerable rate of deviation.

***Criteria relevant to the finding
(continued):***

The District employs two computer systems, the SCN and the ScholarChip attendance system to track student membership and attendance. Data collected by these systems are also used to electronically submit detailed, student-level data into PIMS used by PDE to track key performance metrics for the District and across the commonwealth.

policy). Further, the District could not locate another 15 of the 51 manual roll sheets requested. In other words, the District was unable to support the attendance data in the SCN and PIMS for 64.7 percent of the students we tested.

Membership data could not be verified for three students

The District could not provide independently-produced source documents to support the existence of three of the 51 students tested. Therefore, the students' membership records in the District's SCN database and in PIMS were not sufficiently reliable. For these three students, we requested to review copies of various documents, such as birth certificates, social security cards, doctors' notes, custody orders, immunization records, student photographs, or any other independently-produced evidence supporting the validity of the record. None of these documents were available for review.

Non-compliance with District policy and staff turnover

According to District management, the lack of independent source documentation to support student records and errors in attendance data may have been caused by staff turnover and neglect in complying with District policy. During the 2012-13 school year, the schools experienced a certain amount of turmoil at the beginning of the school year due to the temporary furlough of attendance secretaries throughout the District. These secretaries were also responsible for transferring student records between buildings. When the secretaries returned to work, they were reassigned to unfamiliar buildings and normal procedures may not have been followed. The District is currently conducting an internal review of school compliance with District attendance policies.

We believe the full implementation of the following recommendations will help the District to alleviate its systemic problems with membership and attendance data.

Recommendations

The *School District of Philadelphia* should:

1. Ensure that each student's permanent records are complete and adequately support the electronic data recorded about each student.
2. Provide adequate training and oversight to ensure that teachers, secretaries, and principals in each school building follow the policies detailed in the District's *Student Attendance and Child Accounting Manual*.
3. Periodically review building compliance with District policy to ensure student data is accurately recorded and maintained.
4. Perform timely reconciliations of the District's School Information System (SIS) reports to the final PDE summary reports and maintain documentation of these reconciliations.

Management Response

District management provided the following response, which corresponds to the numbered recommendations in this finding:

- “1. The District takes very seriously the accuracy of student data. The District has purchased a new Student Information System (SIS), from Infinite Campus (IC) approved by the School Reform Commission in August 2015. The planning and implementation for this massive endeavor has already begun and will take several years to complete. Partial cutover will occur in the 2016-2017 school year, with implementation completed in the 2017-2018 School Year. Beginning with the 2018-2019 School Year, this new system will have the capability for teachers to take electronic attendance for all schools. This will eliminate the need for any roll books to be kept separately and the IC system will be the official school record. It will greatly improve the accuracy of attendance and membership data entered by the schools for each student. The training and follow-up with this new system will

reiterate that the permanent records are complete and support the electronic records.

In the interim, until this new system is available, the District will continue to reinforce with the schools at both the administrator level as well as with the School Secretaries to adhere to the written procedures regarding roll sheets and keeping attendance as well as the permanent records that are to be maintained in the pupil pocket for each student

2. School Secretary training will continue to be offered as well as administrative notices will be sent to all schools and posted to the Principals Bulletin Board to reinforce the procedures. Mandatory School Secretary training on attendance and child accounting procedures will take place at the start of every school year beginning with 2016-2017. The importance of accurate attendance and membership data will be reinforced with principals periodically and at the summer training sessions in preparation for the upcoming school year. Training of secretaries has been set up for April 26, 2016 and will again be set up early in the 2016-2017 school year.

Due to the new SIS system implementation, the District's Student Attendance & Child Accounting Manual processes and procedures will be revised. Training for all secretaries and administrators will be mandatory at that time to reinforce the procedures using the new system. Refresher training will also take place upon introduction of the new system. Training will begin in the fall of 2016.

As resources permit, the Office of Student Support Services will visit schools to conduct periodic attendance and membership monitoring reviews throughout the school year to ensure compliance with policy and procedures and provide refresher training to Secretary's and reinforcement to principal's as determined necessary. Repeat offenders will be escalated to the Assistant Superintendent. In addition, the District will research the development of monitoring reports further assisting with the oversight process.

3. Central Office staff will continue periodically reviewing student files to ensure maintenance according to District protocols and procedures. Central Office staff will also continue to review with school staff all procedures necessary to align with the District's Student Attendance & Child Accounting Manual.
4. The process of the timely reconciliation of the District's SIS reports to the final PIMS (Pennsylvania Information Management System) PDE reports is already performed. The District's process requires that monthly reports on errors or discrepancies will not allow the data acceptance by PIMS. Philadelphia sends student reports to PIMS on a monthly basis during the school year. The District reviews these errors and discrepancies, corrects as needed in the source system (SIS) and then re-submits the necessary corrections, etc. This is an ongoing process used for all PIMS filings and has been a process in existence since the inception of PIMS in the 2006-2007 School Year. With PIMS instituting the Data Quality Engine, in the past two school years, it is difficult to get any data through PIMS that is not correct."

Auditor Conclusion

We are pleased to hear that the District is expending resources and time to upgrade its SIS and to revise its Student Attendance & Child Accounting Manual processes and procedures accordingly. We are also encouraged that the District intends to offer additional annual training to those involved in the child accounting function and to periodically review student files. Since the new SIS and additional procedures are at the beginning of implementation, we will evaluate their application during the next regularly scheduled audit.

Status of Prior Audit Findings and Observations

Our prior audit of the District released on March 16, 2011, resulted in seven findings and four observations, as shown below. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior audit recommendations. We interviewed District personnel and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released in March 2011

Prior Finding No. 1: The School District of Philadelphia Still Does Not Have a Safe Schools Advocate As Required By State Law (Resolved)

Prior Finding Summary: In August 2009, the funding for the Philadelphia Office of Safe Schools Advocate (Advocate) was removed from the state budget. Consequently, the state closed this statutorily mandated office which was charged with monitoring the District's significant safety issues. At the time of the office's removal, the District, which is most impacted by the Advocate's absence, made no serious effort to restore the position, and still had not done so a year later.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

Lobby city and state officials to reinstate the independent Safe Schools Advocate's office.

We also recommended that PDE should:

Work with state officials to find the funding necessary to restore the independent Safe School Advocate's office, as required by state law, who can function as a single point of contact for parents and victims of school violence.

Current Status: During our current audit, we determined that the Safe Schools Advocate position was reinstated on or about December 5, 2011. We found that the District implemented our prior recommendation.

Prior Finding No. 2: The District Continues to Lack the Documentation Necessary to Verify Its State Subsidies and Reimbursements (Unresolved)

Prior Finding Summary: Our audit found that the District was, once again, unable to provide the documentation necessary to verify that it correctly reported its membership and attendance data to PDE. Consequently, we could

not determine whether the District received the correct amount of state subsidies and reimbursements based on that information. Specifically, auditors were unable to reconcile the 2006-07 school year membership and attendance reports from the District's child accounting database with source documentation that should have demonstrated that the submitted data was accurate. As a result, we could not validate the accuracy of the District's computer generated information, and therefore, could not rely upon this data in order to draw conclusions about whether the District requested and received the correct amount of state funding from PDE.

Prior Recommendations:

We recommended that the School District of Philadelphia should:

1. Improve its recordkeeping at the school level to ensure that source documentation is available for audit.
2. Implement and maintain a system of internal controls, which includes general and application computer controls, and manual compensating controls, to ensure data accuracy.
3. Ensure that the database used to create the reports submitted to DE is backed up at the time of preparation of the PDE-4062 report and that a snapshot of the database be stored to substantiate the membership for the school year and be available for audit. If, for any reason, revisions are required to PDE reports, the District should be prepared to explain and/or provide audit evidence of those revisions.
4. Provide sufficient, competent, and reliable data to support the more than \$4.2 billion in subsidies and reimbursements paid to the District's general fund based on the information for the audited years (2004-05 to 2007-08) and all subsequent years after that.

We also recommended that PDE should:

Ensure that the District's membership and attendance data can be supported and verified prior to issuing future payments.

Current Status: We reviewed PDE student membership reports and student permanent file records and found that the District did not implement our prior recommendations as noted in Finding No. 6 (see page 56).

Prior Finding No. 3: The District Continued Its Improper Student Activity Fund Practices (Resolved)

Prior Finding Summary: Our audit found that the District's student activity fund management for the 2008-09 school year continued to be out of compliance with the Public School Code, and with the District's own policies. These results were the product of our efforts to determine whether the District had implemented our recommendations from the student activity fund findings in our two previous audit reports covering the 2001-02 and 2005-06 school years.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Ensure the principals and fund custodians adhere to and enforce adopted board policy and other applicable criteria.
2. Ensure all scholarship and memorial accounts are properly accounted for and not reported in the student activity fund.
3. Ensure interest income is prorated to the various student accounts, in accordance with board policy.
4. Purge all inactive student activity accounts.
5. Prohibit the practice of making disbursements from accounts with deficit cash balances.
6. Ensure that formal student organizations control each account operating within the student activity fund.
7. Purge all graduated class accounts and require that, prior to graduation, the members of each class designate the educationally related purpose for which their fund should be applied.

Current Status: During our current audit, we interviewed school personnel and reviewed policies and procedures to determine if student activity fund management complies with the Public School Code. The

District has implemented new procedures to address concerns in our prior recommendations. Based on our current review, we did not identify any continuing concerns.

Prior Finding No. 4: Serious Internal Control Weakness Over Germantown High School's Student Activity Funds Could Create Opportunities for Fraud (Resolved)

Prior Finding Summary: Our audit found that the District's Germantown High School had serious internal control weaknesses over its student activity funds, which could create opportunities for fraud. Moreover, the school shared the District's overall non-compliance issues related to the management of these funds.

Prior Recommendations: We recommended that the *Germantown High School* should:

1. Implement our recommendations from Finding No. 3.
2. Retain support documentation for all deposits.
3. Prohibit the disbursement of funds without the signature of a student officer.
4. Immediately conduct a review of its student activity fund management and take steps to ensure that no additional monies have inappropriately been taken from student activity accounts.

We also recommended that the *School District of Philadelphia* should:

1. Oversee Germantown High School's internal review of its student activity fund management, and verify that it is taking immediate corrective action to correct its serious internal control weaknesses.
2. Conduct its own review of Germantown High School's student activity accounts to ensure that no additional monies have been taken inappropriately.

Current Status: The District closed the Germantown High School in June 2013. According to District officials, the Student Activity Fund was reconciled and the monies were transferred to another high school within the District where the majority of Germantown students were transferred. Therefore, a follow up review was not conducted.

Prior Safety Finding No. 1: The School District of Philadelphia Has Failed to Ensure That Its School Police Officers Have the Level of Training Mandated By State Law (Unresolved)

Prior Finding Summary: Our review of the Public School Code and the District’s policies and procedures found that the District has failed to ensure that its school police officers have the level of training mandated by state law, namely Act 120 training (Municipal Police Officer Education and Training Program).

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Only hire new police officers who have already completed an Act 120 training course.
2. Ensure that all of its current police officers participate in an expanded in-service training program.

Current Status: During our current audit, we conducted interviews with District personnel and reviewed school police officer training records. We found that the District did not implement our prior recommendations as noted in Finding No. 5 (see page 44).

Prior Safety Finding No. 2: The School District of Philadelphia Lacked the Documentation Necessary to Demonstrate That Certain School Police Officers Have Passed Statutorily Required Background Checks (Unresolved)

Prior Finding Summary: Our audit found that the District lacked the documentation necessary to demonstrate that certain school police officers had passed the required background checks, including Act 34 and Act 114 criminal background checks as well as Act 151 child abuse clearances.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Immediately obtain current PSP background checks for the 13 school police officers identified in our audit, as well as a current DPW child abuse clearance for the officer whose personnel file we identified as not having this mandated check. The District should closely examine these documents to ensure that each of the 13 officers was free from disqualifying convictions and/or founded reports that would have prohibited them from holding their job when hired. In addition, the District should determine, on a case-by-case basis, whether any

of the 13 school police officers have been charged with or convicted of crimes, which even though not disqualifying under state law or committed beyond the five-year look back period, affect their suitability to have direct contact with children. If the District discovers any issues on the reports that affect the police officers suitability to have direct contact with children, it should take any necessary personnel actions.

2. Conduct a review of all of its other current school police officers' personnel files to ensure that each file contains the required background checks. Any missing checks should be obtained immediately, and then subsequently reviewed to ensure that the officers would not have been prohibited from holding their jobs when hired. In addition, the District should determine on a case-by-case basis whether any of these police officers have been charged with or convicted of crimes, which even though not disqualifying under state law or committed beyond the five-year look back period, affect their suitability to have direct contact with children. If the District discovers any issues on the reports that affect the police officers suitability to have direct contact with children, it should take any necessary personnel actions.
3. Implement written policies and procedures to ensure that the District is notified when current employees of the District are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to a personnel action.
4. Establish stronger internal controls to ensure that personnel files are not misplaced when they are moved.

Current Status:

During our current audit, we reviewed required clearances and forms submitted by school police officers. We found that the District implemented recommendation #3 but did not implement our other recommendations as noted in Finding No. 5 (see page 44).

Prior Safety Finding No. 3: The School District of Philadelphia Should Take Steps to Address Potential School Building Safety Concerns (Resolved)

Prior Finding Summary: Our safety audit found various deficiencies in individual school building safety policies and procedures as noted in the recommendations below.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Ensure that each of its schools have an anti-bullying policy available in each classroom and publicly posted in a prominent location in each building.
2. Ensure that each of its schools do the following:
 - continue to conduct an annual emergency preparedness plan drill;
 - prepare and maintain a detailed confidential report of the results of the drill, including an evaluation of how any subsequent annual drills could be enhanced; and
 - send the District’s administration a copy of the confidential report in a timely manner, which will allow the District to identify those schools that are the most in need of assistance for future drills.
3. Ensure that its web filters block any inappropriate websites and web-based chat sites.
4. Ensure that each school building’s exterior doors are locked from the outside, but still permit ready egress in an emergency.
5. Ensure that each of its schools do the following:
 - conduct periodic risk and vulnerability assessment of its building; and
 - send the District’s administration a copy of the confidential assessment in a timely manner so that the District can identify those schools that have the most security and safety vulnerabilities, and are the most in need of assistance.

Current Status: During our current audit, we interviewed District personnel and reviewed documentation concerning building level safety policies and procedures. We found the District implemented procedures to address each of our prior recommendations.

Prior Observation No. 1: The District Continues to Finance Some of Its Debt with Interest-Rate Management (“Swap”) Agreements, Which Could Jeopardize Taxpayer Funds (Resolved)

Prior Observation Summary: While the District reduced the amount of debt it has tied to swap agreements by \$300 million, and has agreed not to enter into any new swap agreements during the current poor economic climate, we remain concerned about the very large amount of money the District continues to maintain in these derivative instruments. Swap agreements are risky and complicated financial instruments that gamble with public funds.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Continue its plans to divest itself from its existing swap agreements when market conditions are favorable, and avoid entering into any new agreements in the future.
2. Monitor the progress of legislation proposed in the General Assembly to ban school districts, local governments, and municipal authorities from entering into swap agreements.

Current Status: During our current audit, we interviewed District personnel and reviewed the Comprehensive Annual Financial Reports from 2009-10 through 2013-14. We found that, although the District continues to maintain two swap agreements, it has complied with our prior recommendations. Furthermore, the District has been monitoring the remaining swap agreements and has determined that it has not been prudent financially to terminate them.

Prior Observation No. 2: Continued Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications (Unresolved)

Prior Observation Summary: Our audit found that the District had not implemented our prior audit recommendation regarding bus driver qualification policies and procedures.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Implement written policies and procedures to ensure that the District is notified when current employees of the District’s transportation contractors are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

2. Ensure that the District considers on a case-by-case basis whether any conviction of a current employee should lead to an employment action.

Current Status:

During our current audit, we reviewed required clearances and forms submitted by school bus drivers. We found the District did not implement our recommendations as noted in Finding No. 4 (see page 34).

Prior Observation No. 3: The School District of Philadelphia Should Protect Its Safety Programs and Operations from Possible Future Spending Cuts (Resolved)

Prior Observation Summary: Some of the District's spending cuts at the end of FY 2009-10 could have had a negative impact on its overall safety operations. Specifically, in June 2010, the District eliminated 33 climate managers whose primary role was to maintain order and safety in their assigned schools. Likewise, the size of the District's school police force was expected to decline. These issues were of particular concern given that the District will likely experience future financial challenges that may lead to further spending cuts.

Prior Recommendations:

We recommended that the *School District of Philadelphia* should:

1. Where appropriate, make every effort to protect its safety operations from future spending cuts.
2. Continue to avoid unnecessary spending cuts that negatively impact its educational goals.

Current Status:

During our current audit, we reviewed safety spending and incident reports for the 2010-11 through 2013-14 school years. We compared the number of incidents to enrollment figures and to the number of school police officers and climate managers. We found that, although safety spending has declined, so has enrollment and the number of reported incidents. Therefore, the corresponding decline in the number of police officers and the elimination of climate managers appears reasonable. We determined that the District implemented our prior recommendations.

Prior Observation No. 4: Continued Inadequate General Computer Controls Over the Advantage 2000 System (Resolved)

Prior Observation Summary: Our audit found that some of our prior audit recommendations regarding the District's general computer controls over the District's Advantage 2000 system had not been implemented. We repeated those recommendations as noted below.

Prior Recommendations: We recommended that the *School District of Philadelphia* should:

1. Enforce the Acceptable Use Policy Section L.1 e. that forbids sharing of user IDs and passwords.
2. Ensure that payrolls are not processed without proper approvals.

Current Status: During our current audit, we reviewed District policies and procedures, as well as relevant documentation, in effect for the 2014-15 school year. We found that the District implemented our prior recommendations.

Appendix A: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code,¹ is not a substitute for the local annual financial audit required by the Public School Code (PSC) of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

Overall, our audit covered the period July 1, 2008 through June 30, 2014. In addition, the scope of each individual audit objective is detailed on the following pages.

The District's management is responsible for establishing and maintaining effective internal controls² to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, that we consider to be material within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be material within the context of our audit objectives are included in this report.

¹ 72 P.S. § 403.

² Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as: effectiveness and efficiency of operations; relevance and reliability of operational and financial information; and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, financial reports, annual budgets, and new or amended policies and procedures. We also determined if the District had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the District's efficiency and effectiveness in the following areas:

- ü Academics
- ü Governance
- ü Financial Stability
- ü Data Integrity
- ü School Police Officer Requirements
- ü Bus Driver Requirements
- ü Textbook Inventory
- ü Certification

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ü Did the LEA's School Reform Commission (SRC) and administration maintain best practices in governing academics and student achievement by developing and executing a plan to improve student academic performance at its underperforming school buildings?
 - o To address this objective, we considered publicly available academic data published by PDE for the District's school buildings for the 2011-12 through 2013-14 school years to determine if the District had underperforming schools not meeting statewide academic standards established by PDE or statewide averages.³ Since underperforming schools were identified, we selected 21 of 210 school buildings with complete academic data available for the 2012-13 school year that included selections from each regional Assistant Superintendent's territory for further review. This review consisted of conducting interviews with building Principals and regional Assistant Superintendents and reviewing required School Improvement Plans and/or optional School Level Plans to determine if the selected underperforming schools have established goals for improving academic performance, are implementing those goals, and are appropriately monitoring the

³ Academic data for the District's school buildings is presented in Appendix B of this report, which consists of 2012-13 and 2013-14 School Performance Profile (SPP) scores and 2011-12 through 2013-14 Pennsylvania System of School Assessment (PSSA) results in Math and Reading for the "all students" group. Statewide standards for PSSA results are established by PDE and are applicable to all public schools. The statewide benchmarks for SPP scores are based on the average SPP score for all district schools in the Commonwealth, excluding charter and cyber charter school SPP scores.

status of those goals. We found that the selected underperforming schools have established goals for improving academic performance, are implementing those goals, and are appropriately monitoring the status of those goals.

Ü Did the LEA's SRC and administration maintain best practices in overall organizational governance?

- To address this objective, we surveyed the SRC in the fall of 2014, conducted in-depth interviews with the Deputy Superintendent and his staff in December of 2014, reviewed SRC meeting minutes, policies and procedures, and reports used to inform the SRC about student performance, progress in meeting student achievement goals, budgeting and financial position, and school violence data to determine if the SRC was provided sufficient information for making informed decisions. We also reviewed the only individual administrator employment contract, which was the Superintendent's contract, to determine if it complied with the PSC.⁴ Finding No. 3 describes the exceptions related to employment contracts that we noted during our review.

Ü Based on an assessment of fiscal benchmarks, was the District in a declining financial position, and did it comply with all statutes prohibiting deficit fund balances and the over expending of the District's budget?

- To address this objective, we reviewed the District's annual financial reports, budget, independent auditor's reports, summary of child accounting, and general ledger for fiscal years 2009-10 through 2013-14. The financial and statistical data was used to calculate ratios and trends for 22 benchmarks which were deemed appropriate for assessing the District's financial stability. The benchmarks are based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado Office of the State Auditor, and the National Forum on Education Statistics. Finding No. 1 contains the results of our review.

Ü Did the LEA ensure that the membership data it reported in the Pennsylvania Information Management System (PIMS) system was accurate, valid, and reliable?

- To address this objective, we randomly selected 51 of 129,928 students from the 2012-13 school year Student Calendar Fact Template Details Report (a PIMS report). For each student, we attempted to verify the student's existence, reported membership days, and reported attendance days against documentation contained in the student's permanent file. Finding No. 6 contains the results of our review.

⁴ 24 P.S. § 10-1073(e)(1) and 24 P.S. § 10-1073.1(a).

- Ü Did the District ensure that school police officers had the required training, background checks and clearances as outlined in applicable laws?
 - To address this objective, we reviewed required employment clearances and forms, as well as the annual training records, for 33 out of 337 school police officers hired prior to December 8, 2014, to determine if the District employs a qualified school police force. Furthermore, we inquired about pre-employment Municipal Police Officers' Education and Training Program certification for all 72 new school police officers hired between July 1, 2011 and December 8, 2014. Finding No. 5 contains the results of our review.

- Ü Did the District ensure that bus drivers transporting District students had the required driver's license, physical exam, training, background checks, and clearances as outline in applicable laws?⁵ Also, did the District have adequate written policies and procedures governing the hiring of new bus drivers?
 - To address this objective, we selected 49 of the 482 bus drivers hired by both the District and District transportation contractors for the period March 1, 2009 through July 8, 2014. We reviewed documentation to ensure the District complied with bus driver requirements. We also determined if the District had written policies and procedures governing the hiring of bus drivers and if those procedures were sufficient to ensure compliance with bus driver hiring requirements. Furthermore, we determined if the District had policies and procedures in place to ensure that the District is notified when current employees of the District or its transportation contractors are charged with, or convicted of, crimes that call into question their suitability to continue to have direct contact with children and if those procedures were being followed. Finding No. 4 contains the results of our review.

- Ü Did the District ensure that textbooks from closed schools were adequately inventoried and repurposed to remaining schools?
 - To address this objective, we interviewed District personnel, reviewed documentation, and visually inspected the warehouse facility to determine if textbooks from all 23 schools closed as of June 30, 2013 were properly accounted for and redistributed where needed. Finding No. 2 details the results of this review.

⁵ 24 P.S. § 1-111, 24 P.S. § 2070, 67 P.S. § 71.1, 22 Pa. Code Chapter 8, and 23 Pa.C.S. § 58-6354.

Ü Did the District ensure that professional staff held valid Pennsylvania Teaching Certificates?

- To address this objective, we selected 150 of 2,065 secondary teachers from the District's 2013-14 professional personnel list. We reviewed the Teacher Information Management System online to determine the validity of their teaching certificates. We found that the teachers selected for review were properly certified.

Appendix B: Individual School Building SPP and PSSA Scores (Unaudited)

The following table consists of School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) results for each of the District’s school buildings obtained from the Pennsylvania Department of Education’s (PDE) data files.⁶ These scores are presented for **informational purposes only**, and they were not audited by our Department.

SPP benchmarks represent the statewide average of all district school buildings in the Commonwealth.⁷ PSSA benchmarks and goals are determined by PDE each school year and apply to all public school entities.⁸ Scores below SPP statewide averages and PSSA benchmarks/goals are presented in red. Any blanks in PSSA data means that PDE did not publish a score for that particular school for that particular year.⁹

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Academy at Palumbo	67.8	70.1	80.3	80.8	87.3	79.5	93.6	91.7
Adaire Alexander School	67.1	65.3	62.9	57.3	57.3	57.3	53.7	49.2
Allen Dr Ethel School	44.9	51.4	37.8	22.1	23.4	34.3	26.1	24.9
Allen Ethan School	52.5	60.2	52.2	45.5	46.6	46.0	41.7	43.3
Amy At Martin	64.2	66.6	66.3	63.6	58.8	68.1	64.9	65.0
Amy NW	75.0	70.3	84.2	82.8	81.1	83.1	74.9	81.1
Anderson Add B School	47.9	49.3	35.2	30.3	26.6	30.6	29.8	31.1
Arthur Chester A School	63.1	49.5	51.3	43.4	33.7	51.4	52.0	37.7
Arts Academy at Benjamin Rush	67.4	78.7	57.9	70.4	69.8	68.6	90.7	90.5
Bache-Martin School	49.8	60.5	56.1	41.3	50.9	50.5	39.0	46.7
Baldi C C A MS	80.3	81.6	84.3	78.1	77.3	78.7	72.3	71.1
Barry Comm John School	53.8	56.6	25.8	21.0	21.5	23.2	21.9	21.1
Barton Clara School	55.0	61.2	--	--	46.0	--	--	41.6
Bartram John - Main	36.4	36.1	10.9	10.5	8.1	17.4	23.0	19.2
Beeber Dimmer MS	48.0	54.3	44.6	43.8	47.8	36.2	34.8	49.7

⁶ PDE is the sole source of academic data presented in Appendix B of this report. All academic data was obtained from PDE’s publically available web site and is presented for informational purposes only.

⁷ Statewide averages for SPP scores were calculated based on all district school buildings throughout the Commonwealth, excluding charter and cyber charter schools.

⁸ PSSA benchmarks apply to all district school buildings, charters, and cyber charters. In the 2011-12 school year, the state benchmarks reflect the Adequate Yearly Progress targets established under No Child Left Behind. In the 2012-13 and 2013-14 school years, the state benchmarks reflect the statewide goals based on annual measurable objectives established by PDE.

⁹ PDE’s data does not provide any further information regarding the reason a score was not published.

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Bethune Mary McLeod School	46.0	51.7	48.0	32.7	31.4	38.6	28.8	26.8
Blaine James G School	49.2	47.9	64.0	45.6	31.4	49.6	31.3	28.8
Blankenburg Rudolph School	52.2	49.0	42.7	32.8	25.4	36.2	29.8	31.4
Bodine William W HS	83.5	78.8	78.2	91.8	88.0	71.8	95.9	92.3
Bregy F Amedee School	49.7	53.7	46.7	29.4	35.7	37.9	31.7	33.5
Bridesburg School	60.6	64.1	68.4	61.6	57.4	59.0	54.1	54.0
Brown Henry A School	52.6	59.2	48.4	41.3	43.7	38.1	34.0	37.1
Brown Joseph H School	68.1	67.8	63.4	55.2	50.6	54.0	45.0	43.0
Bryant William C School	51.8	52.2	24.6	21.6	24.7	21.2	25.6	30.1
Carnell Laura H School	48.4	58.5	42.6	33.4	30.9	38.7	31.8	26.3
Carver HS	90.9	90.6	86.5	93.7	91.8	88.8	97.7	94.1
Cassidy Lewis C AC Plus Sch	66.3	54.3	52.0	44.6	39.7	46.7	40.9	38.1
Catharine Joseph School	64.4	72.6	56.8	52.0	54.3	53.1	52.4	50.0
Cayuga School	48.2	58.0	31.4	25.4	24.2	20.6	21.4	18.6
Central HS	101.3	90.8	97.1	98.4	98.6	96.8	99.8	99.0
Childs George W School	60.8	65.3	58.9	56.2	52.0	48.9	45.2	42.9
Clemente Roberto MS	43.1	40.5	24.6	20.3	19.9	23.6	20.5	20.1
Comegys Benjamin B School	54.2	48.7	25.2	31.9	31.2	23.0	24.9	25.2
Comly Watson School	79.5	71.6	82.0	79.3	78.2	71.4	67.7	67.6
Constitution HS	58.6	57.5	57.5	44.7	45.9	73.6	78.7	74.1
Conwell Russell MS	74.0	82.9	76.7	72.9	77.7	80.0	76.0	77.4
Cooke Jay MS	51.0	50.8	47.6	46.6	37.3	40.2	34.7	30.0
Cook-Wissahickon School	72.3	70.5	76.4	73.2	69.6	73.0	67.0	66.3
Cramp William School	51.8	50.5	42.5	38.4	32.3	34.9	30.8	23.6
Creative and Performing Arts	71.5	72.4	72.7	61.9	70.1	83.0	84.3	92.0
Crossan Kennedy C School	66.1	62.2	74.6	70.4	66.1	66.8	59.2	52.6
Day Anna B School	69.5	61.9	57.1	56.6	47.1	47.9	53.4	50.0
DeBurgos Bilingual Magnet MS	59.2	56.8	61.8	56.5	44.6	47.4	34.4	30.2
Decatur Stephen School	67.3	70.6	72.2	70.9	71.3	64.2	57.4	60.1
Dick William School	57.2	52.2	56.0	41.3	32.4	37.5	29.2	24.5
Disston Hamilton School	58.3	48.9	52.8	47.1	34.4	51.2	46.4	40.5
Dobson James School	76.8	73.5	72.8	72.4	65.0	72.4	70.7	65.7
Duckrey Tanner School	55.4	46.7	32.9	31.6	20.9	26.9	32.9	21.5
Dunbar Paul L School	55.1	49.5	49.5	39.4	41.7	33.6	34.3	33.9
Edmonds Franklin S School	56.7	62.0	53.3	47.7	48.1	37.4	37.4	40.9
Elkin Lewis School	57.7	58.2	42.0	45.4	46.8	26.8	31.5	28.7
Ellwood School	57.3	60.8	47.3	43.8	40.4	48.6	40.1	35.0
Emlen Eleanor C School	55.7	53.3	35.6	41.9	32.6	23.5	32.7	31.4
Farrell Louis H School	71.0	74.3	73.9	64.5	66.0	65.4	56.6	60.1
Fell D Newlin School	72.5	68.4	64.0	65.6	66.4	58.6	58.9	57.3

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Fels Samuel HS	42.2	35.0	14.2	13.1	8.7	23.4	29.0	30.3
Feltonville Intermediate School	61.4	60.7	45.3	41.6	41.8	34.6	34.9	32.2
Feltonville School of Arts & Sciences	53.5	47.9	45.9	41.4	35.9	31.5	29.8	32.6
Finletter Thomas K School	56.2	56.4	49.3	39.1	36.5	45.4	38.0	37.4
Fitler Academics Plus	71.1	65.9	62.2	60.8	50.2	58.1	56.5	59.8
Fitzpatrick Aloysius L School	62.7	60.0	77.2	67.7	60.5	68.5	58.4	55.2
Forrest Edwin School	65.6	55.4	56.0	54.0	48.4	51.5	48.2	42.7
Fox Chase School	81.8	62.3	76.3	74.7	70.4	65.2	66.3	57.1
Frank Anne School	83.1	77.9	84.9	83.8	80.9	74.3	70.9	73.6
Frankford HS	38.4	38.0	12.9	13.5	10.5	19.7	20.8	20.6
Franklin Benjamin HS	36.8	31.1	16.5	14.3	12.7	20.9	26.1	18.4
Franklin Benjamin School	58.7	53.9	47.6	44.3	39.9	40.1	41.0	36.6
Franklin LC	57.8	67.2	51.6	51.5	62.8	69.4	83.2	85.7
Furness Horace HS	47.1	42.4	41.5	29.5	30.8	27.1	33.6	23.1
Gamp	81.4	82.8	91.9	92.3	91.8	92.8	91.6	94.0
Gideon Edward School	61.5	48.3	36.2	35.0	26.7	26.9	27.3	23.1
Girard Stephen School	52.0	59.8	53.0	38.9	40.1	41.4	38.3	41.6
Girls HS	75.8	86.6	67.7	83.5	82.1	76.5	96.0	93.9
Gompers Samuel School	55.3	55.7	46.8	32.8	32.0	35.7	35.4	36.5
Greenberg Joseph School	83.6	82.9	90.6	83.4	86.2	82.3	79.2	81.3
Greenfield Albert M School	73.8	72.2	67.3	71.7	68.5	66.0	67.1	70.2
Hackett Horatio B School	79.7	67.9	72.8	71.0	72.9	54.9	59.3	60.4
Hamilton Andrew School	56.8	51.7	57.4	51.5	47.6	53.6	48.8	45.8
Hancock John School	82.3	71.0	77.7	71.0	62.2	65.4	66.8	55.4
Harding Warren G MS	47.5	46.4	33.5	27.3	29.8	35.0	35.9	32.4
Harrington Avery D SC	63.1	61.0	48.8	48.2	51.3	37.9	44.7	52.9
Hartranft John F School	49.5	50.9	41.9	40.1	32.1	32.6	29.5	27.1
Henry Charles W School	68.7	71.4	78.1	58.2	57.8	70.7	60.5	62.7
Heston Edward School	48.5	51.1	38.4	33.0	34.3	35.8	27.3	25.1
Hill J E/Freedman Samson	87.2	78.2	93.6	92.3	78.3	93.1	95.0	86.3
Holme Thomas School	68.3	68.1	67.3	57.5	58.7	62.7	54.1	50.0
Hopkinson Francis School	57.1	50.8	45.2	39.5	32.0	37.4	32.6	29.9
Houston Henry E School	61.0	55.0	48.2	44.9	35.9	44.6	45.6	45.0
Howe Julia Ward School	59.2	56.1	42.4	39.5	36.1	28.0	27.9	32.8
Huey Samuel B School	44.4	53.1	20.2	19.6	16.5	24.5	21.1	25.2
Hunter William H School	51.9	52.5	42.9	34.6	34.6	30.1	27.3	29.2
Jackson Andrew School	58.5	63.8	71.5	61.1	52.3	55.0	50.5	50.6
Jenks Abram School	73.7	71.5	81.2	77.2	75.8	76.2	65.8	74.8
Jenks John S School	61.7	65.3	71.1	60.0	53.6	67.0	58.3	56.3

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Juniata Park Academy	69.4	69.7	55.1	46.9	52.1	44.2	41.5	48.7
Kearny Gen Philip School	58.0	62.2	53.8	44.3	44.6	49.1	41.0	35.4
Kelley William D School	51.8	51.1	35.4	32.1	32.6	31.9	28.2	24.4
Kelly John B School	62.8	64.2	53.1	42.9	41.0	41.1	34.6	37.8
Kensington Creative & Performing Arts HS	37.5	37.3	22.5	19.7	9.3	21.5	25.0	19.8
Kensington Culinary Arts	35.5	38.9	22.6	9.1	14.3	16.0	23.6	24.2
Kensington Intern Business Finance & En	39.3	39.2	19.3	14.0	19.2	18.3	28.6	44.2
Kensington Urban Education Academy	36.7	29.3	--	21.7	1.9	--	23.0	20.4
Key Francis Scott School	63.2	60.8	71.6	62.6	61.5	56.4	49.8	43.3
King Martin Luther HS	38.0	39.4	14.1	10.1	11.6	16.3	18.3	24.6
Kirkbride Eliza B School	68.6	78.0	67.1	62.7	67.8	58.7	52.4	57.3
La Brum Gen J Harry MS	65.0	66.0	79.3	66.7	65.2	81.0	63.4	64.1
Lamberton Robert E School	61.3	58.4	51.6	49.9	46.1	44.7	49.7	39.1
Lankenau HS	51.6	60.6	42.7	43.5	59.6	64.0	58.7	75.0
Lawton Henry W School	60.2	59.1	54.3	45.6	44.5	45.6	39.1	38.2
Lea Henry C School	48.0	56.8	44.6	29.6	29.6	43.2	33.0	29.8
Lincoln HS	44.4	38.9	17.9	20.0	18.5	25.1	42.5	26.8
Lingelbach Anna L School	63.3	56.6	63.4	53.9	42.7	57.3	51.3	41.9
Locke Alain School	40.2	53.1	28.5	18.7	19.3	28.5	19.6	24.6
Loesche William H School	75.0	68.6	79.2	76.4	72.9	68.6	64.1	59.2
Logan James School	62.3	56.8	50.8	50.3	41.0	33.9	37.9	32.8
Longstreth William C School	56.0	48.5	25.0	28.9	28.1	30.4	32.9	31.4
Lowell James R School	58.9	56.5	54.1	45.5	49.8	44.7	45.0	39.7
Ludlow James R School	50.9	63.7	53.0	37.6	43.1	35.6	27.5	35.9
Marshall John School	46.0	49.3	34.1	27.0	33.2	26.9	23.5	28.2
Marshall Thurgood	58.2	60.4	39.6	33.1	39.0	34.4	31.0	33.6
Masterman Julia R Sec School	95.0	90.1	98.9	99.4	98.9	98.2	98.6	99.1
Mayfair School	79.7	77.1	73.7	68.8	68.2	61.1	64.9	64.6
McCall Gen George A School	83.4	83.0	88.2	85.3	84.3	72.1	69.2	71.1
McCloskey John F School	68.7	66.4	56.3	55.3	59.6	52.9	57.4	47.8
McClure Alexander K School	53.9	48.9	56.5	46.8	31.1	40.0	38.0	28.0
McDaniel Delaplaine School	46.4	48.8	33.4	26.4	19.8	33.6	24.4	22.5
McKinley William School	62.3	48.1	42.5	41.8	33.0	35.1	34.6	34.4
McMichael Morton School	47.5	51.4	26.3	21.5	26.5	19.2	19.0	29.4
Meade Gen George C School	53.4	42.1	34.6	25.9	15.5	26.1	22.8	15.5
Meehan Austin MS	51.4	57.7	60.0	55.7	52.5	58.1	52.1	55.2
Meredith William M School	71.8	78.5	88.3	83.6	85.4	84.1	79.5	85.4
Middle Years Alternative	62.3	66.2	72.8	65.0	63.9	70.9	60.9	66.4

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Mifflin Thomas School	63.7	62.5	39.0	40.0	42.1	38.2	44.9	44.4
Mitchell El School	53.4	42.8	47.3	33.6	26.1	24.7	29.6	20.1
Moffet John School	59.7	65.5	76.9	55.6	52.9	66.7	48.7	54.0
Moore J Hampton School	62.0	64.3	64.5	53.7	49.1	57.3	48.1	45.4
Morris Robert School	67.7	48.7	52.7	58.1	38.4	35.6	46.5	27.4
Morrison Andrew J School	60.6	53.4	49.6	48.6	39.4	43.8	41.1	38.1
Morton Thomas G School	54.7	53.1	40.9	33.8	33.4	32.0	25.8	23.5
Motivation HS	75.3	65.1	70.2	74.0	60.8	59.6	90.0	88.2
Munoz-Marín Luis	46.2	45.8	50.9	33.2	33.3	40.8	33.4	34.5
Nebinger George W School	57.0	62.1	57.6	47.9	52.9	53.2	41.0	43.0
Northeast HS	66.3	62.4	48.4	52.9	46.8	53.0	61.7	59.1
Olney El School	59.3	66.0	46.6	38.8	36.2	40.3	34.9	39.5
Overbrook Edu Ctr	77.2	76.6	73.5	70.5	58.6	75.5	72.5	62.8
Overbrook Elementary School	71.9	52.1	45.5	50.8	40.1	40.3	36.3	33.8
Overbrook HS	38.9	39.3	11.2	11.2	14.5	17.7	34.7	28.0
Parkway Northwest	52.8	48.2	50.9	48.4	42.5	67.3	67.2	61.6
Parkway West	66.1	63.4	51.7	55.8	63.9	66.7	81.4	81.9
Parkway-Center City	72.1	71.5	69.0	70.8	64.4	68.0	80.9	88.5
Patterson John M School	56.6	59.1	42.6	37.6	40.4	38.1	38.9	35.6
Paul Robeson HS for Human Services	51.2	42.3	29.3	23.4	23.0	43.9	39.1	55.7
Peirce Thomas M School	56.6	49.1	34.8	27.7	20.1	25.9	23.0	23.9
Penn Alexander School	88.5	85.7	90.8	88.8	89.9	88.9	85.8	84.1
Pennell Joseph School	52.9	40.4	33.8	33.3	13.3	27.7	27.4	11.9
Pennypacker Samuel School	56.7	59.6	44.7	39.7	34.6	42.8	32.9	33.7
Penrose School	56.3	56.2	53.9	46.6	37.0	49.1	43.5	40.4
Philadelphia Military Academy at Elverson	61.1	58.3	25.6	46.9	52.5	55.8	71.4	74.6
Pollock Robert B School	70.2	58.1	76.0	68.6	59.2	60.6	57.5	48.6
Potter-Thomas School	50.8	52.7	33.8	26.7	27.2	25.0	23.0	21.8
Powel Samuel School	77.9	85.8	72.1	75.3	72.1	68.6	69.6	78.6
Prince Hall	53.4	51.8	36.1	39.3	30.5	34.2	35.9	32.0
Rhawnhurst School	72.9	64.5	65.6	54.3	51.0	54.1	52.0	43.5
Rhoads James School	56.0	44.7	36.7	33.6	27.3	29.1	29.3	27.9
Richmond School	52.6	63.0	64.0	54.7	48.7	46.9	41.2	42.8
Rowen William School	51.8	52.9	60.8	48.7	37.3	39.8	36.7	30.9
Roxborough HS	45.1	43.3	18.0	16.5	13.0	32.1	39.5	45.3
Sayre William L MS	29.9	37.1	4.6	6.5	11.1	21.5	16.1	24.1
School of the Future	48.7	40.9	44.4	32.8	29.4	61.7	64.1	31.2
Science Leadership Academy	81.8	70.0	82.4	88.3	79.2	85.1	95.8	90.8
Sharswood George School	68.7	61.3	63.1	58.0	54.8	53.6	50.2	52.7

School Name	SPP Scores		% Advanced or Proficient in Math			% Advanced or Proficient in Reading		
	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
Statewide Benchmark	77.6	77.2	78	73	71	81	70	69
Shawmont School	78.6	65.7	72.4	70.7	67.7	67.5	65.4	58.3
Sheppard Isaac School	58.5	57.2	47.0	48.2	38.1	27.0	32.5	27.4
Sheridan School	44.9	56.7	36.5	30.5	37.9	21.4	23.8	23.4
Solis-Cohen Solomon School	65.8	64.7	66.2	58.6	55.4	55.8	49.8	47.6
South Philadelphia HS	36.5	43.6	34.1	10.8	14.4	12.1	18.3	36.4
Southwark School	59.5	57.0	54.9	50.8	46.6	38.1	38.2	36.3
Spring Garden School	53.5	56.8	44.0	33.3	37.2	49.5	36.3	37.4
Spruance Gilbert School	60.2	53.4	60.5	53.1	48.0	54.3	49.1	44.9
Stanton Edwin M School	62.1	57.6	62.7	50.0	46.1	58.9	48.6	36.3
Stearne Allen M School	46.2	57.0	32.8	21.8	22.7	28.1	22.3	26.0
Steel Edward School	51.0	52.9	40.6	34.0	31.5	34.3	32.0	23.6
Strawberry Mansion HS	34.1	33.1	9.0	10.5	18.6	13.7	16.7	24.6
Sullivan James J School	49.5	46.6	42.4	31.9	25.8	35.3	29.7	29.0
Taggart John H School	51.9	56.6	59.1	44.2	40.8	42.5	38.0	36.7
Taylor Bayard School	49.9	48.6	46.5	35.1	35.1	25.2	19.8	16.0
Wagner Gen Louis MS	66.9	52.1	45.9	38.1	30.9	46.9	40.3	34.6
Waring Laura W School	58.3	62.6	46.2	43.3	50.0	38.0	39.9	44.7
Washington George HS	54.9	55.8	41.5	34.3	35.9	55.5	47.5	49.3
Washington Grover Jr School	59.5	64.4	53.4	41.3	44.1	44.5	37.8	42.1
Washington Martha School	53.2	53.1	35.9	27.5	31.6	37.4	32.2	35.1
Webster School	51.8	51.5	55.2	40.8	35.0	41.8	35.1	30.0
Welsh John School	61.5	51.5	54.9	45.2	33.5	43.8	37.8	34.6
West Philadelphia HS	37.9	44.5	13.0	16.7	16.7	18.7	31.5	30.7
Widener Memorial School	37.3	41.1	--	--	45.3	--	--	58.7
Willard Frances E School	62.7	65.4	70.9	60.6	58.3	51.2	39.4	40.4
Wilson Woodrow MS	62.9	66.1	60.0	56.6	56.1	57.1	54.9	56.2
Wister John School	56.0	54.3	33.1	29.7	26.0	23.3	24.5	22.2
Wright Richard R School	52.8	47.3	32.9	27.0	25.2	23.7	18.2	19.6
Ziegler William H School	61.1	57.6	60.7	48.6	46.3	46.1	46.5	44.6

Distribution List

This report was initially distributed to the Superintendent of the District, the School Reform Commission, and the following stakeholders:

The Honorable Tom W. Wolf

Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Pedro A. Rivera

Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

The Honorable Timothy Reese

State Treasurer
Room 129 - Finance Building
Harrisburg, PA 17120

Mrs. Danielle Mariano

Director
Bureau of Budget and Fiscal Management
Pennsylvania Department of Education
4th Floor, 333 Market Street
Harrisburg, PA 17126

Dr. David Wazeter

Research Manager
Pennsylvania State Education Association
400 North Third Street - Box 1724
Harrisburg, PA 17105

Mr. Lin Carpenter

Assistant Executive Director for Member Services
School Board and Management Services
Pennsylvania School Boards Association
P.O. Box 2042
Mechanicsburg, PA 17055

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.

ⁱ Source: School district, PDE, and U.S. Census data.

ⁱⁱ Source: Information provided by the District administration.

ⁱⁱⁱ Source: United States Census <http://www.census.gov/2010census>