



Pennsylvania Department of the

AUDITOR GENERAL

Facebook: Pennsylvania Auditor General

Twitter: @PaAuditorGen

News for Immediate Release

Aug. 16, 2018

Auditor General DePasquale Calls Reading School District Turnaround ‘Unprecedented’

Says dramatic changes since 2013 have created a healthy, financially sound district

READING, PA – Calling the changes “unprecedented,” Auditor General Eugene DePasquale today said his latest performance audit of Reading School District shows a wholesale turnaround in the district’s governance from five years ago.

“When I last checked in on Reading School District, it was on the verge of a state takeover because of how poorly managed the district was,” DePasquale said. “It is now a prime example of the major positive changes that can occur when school officials take our recommendations seriously and the community support is there to help.”

The 22-page audit of Reading School District that DePasquale released today contains one finding and four recommendations. It covers July 2012 through June 2016.

“Thanks to help from the Berks County Intermediate Unit, the district hired two outstanding financial administrators who have private-sector experience,” DePasquale said. “Later in 2014, the district hired Dr. Khalid Mumin as superintendent.

“With these capable leaders at the helm for the last four years, dramatic improvements have taken place in how the district is run,” DePasquale said. “Officials followed the recommendations from my May 2013 audit, demonstrating that this kind of outcome is exactly why we do what we do.

“It was clear five years ago that no one was accountable to anyone for managing the district,” DePasquale said. “The business offices here were like a ghost town; the operation is completely different now.”

Unprecedented turnaround

Because of the overarching changes that began in 2014, auditors were able to track the effectiveness of two years’ worth of new policies and procedures. The results of those changes were dramatic, DePasquale said.

Today’s audit points out that:

- Bills are now paid appropriately — by being presented to the school board monthly — and on time,
- Taxpayer funds are being used correctly and are being properly tracked,
- Upper management has been stable since 2014, and
- A comprehensive corrective action plan is in place to improve student performance.

“Instead of being on the verge of an operating deficit, the Reading School District now has a healthy general fund balance,” DePasquale said. “That didn’t happen overnight. The management team worked hard to find every dollar it could to operate the district,” he said, noting three examples:

- The chief financial officer and director of finance spent a week in Harrisburg immersing themselves in learning how the Public School Employee Retirement System works. Subsequently, they found prior errors by the district that resulted in a one-time payment of \$4 million from PSERS and an annual reimbursement increase of \$800,000 to the district.
- They scrutinized the School-based Access Program reimbursements — federal funding for services provided to Medicaid-eligible students with special needs — and increased the amount the district receives from about \$120,000 to approximately \$1 million annually.
- Using relatively simple refinancing tools, they restructured the district's debt and saved \$11.7 million over 3 years.

The latest audit contains one finding related to student transportation reporting errors that occurred each year from 2012-13 to 2015-16 that resulted in an overpayment of \$127,261 to the district from the Pennsylvania Department of Education.

"Reading School District is certainly not alone in having trouble with the state's student transportation funding system," DePasquale said. "You would be amazed at how many districts struggle to accurately report the number of students they transport every year."

What's next

DePasquale pointed out that challenges remain for the urban district, which ranks among those with the highest poverty rates in the nation.

"I'm not saying it's all sunshine and rainbows now in Reading School District," DePasquale said. "Of course challenges remain, especially with the need to increase academic performance.

"However," DePasquale continued, "Reading officials are now able to put all of their focus on their primary mission: Effectively educating students.

"I commend the Reading community for rallying around this school district and helping make these outstanding improvements possible," he added. "Reading School District shows that great strides can be made when everyone works together.

"There is plenty more work to be done. I am calling on all community leaders to step up and continue to support the district and its efforts to improve education for students."

The Reading School District performance audit report is [available online at: www.PaAuditor.gov](http://www.PaAuditor.gov).

###