

## AMENDMENTS TO HOUSE BILL NO. 97

Sponsor: REPRESENTATIVE LONGIETTI

Printer's No. 1339

1 Amend Bill, page 1, line 5, by inserting after "thereto," "  
2 in school finances, providing for internal auditing and  
3 reporting requirements;

4 Amend Bill, page 1, lines 14 through 16, by striking out all  
5 of said lines and inserting

6 Section 1. The act of March 10, 1949 (P.L.30, No.14), known  
7 as the Public School Code of 1949, is amended by adding a  
8 section to read:

9 Section 618. Internal auditing and reporting requirements.--

10 (a) Each school entity shall form an independent audit  
11 committee which shall review a complete certified audit of the  
12 operations of the school entity at the close of each fiscal  
13 year. The audit shall be conducted by a qualified independent  
14 certified public accountant as selected from a list of approved  
15 providers established by the department. The audit shall be  
16 conducted under generally accepted audit standards of the  
17 Governmental Accounting Standards Board (GASB) and shall  
18 include, but not be limited to, the following tests:

19 (1) An enrollment test to verify the accuracy of student  
20 enrollment and reporting to the Commonwealth.

21 (2) Full review of expense reimbursements for board members  
22 and administrators, including sampling of all reimbursements.

23 (3) Review of internal controls, including review of  
24 receipts and disbursements.

25 (4) Review of annual Federal and State tax filings,  
26 including the Internal Revenue Service Code Form 990, Return of  
27 Organization Exempt From Income Tax and all related schedules  
28 and appendices for the school entity and school entity  
29 foundation, if applicable and, including any educational  
30 management service providers of the school entity.

31 (5) Review of the financials of a school entity foundation,  
32 including any educational management service providers of the  
33 school entity.

34 (6) Review of all contracts over five thousand dollars  
35 (\$5,000) regarding the selection and acceptance process.

36 (7) Review of potential conflicts of interest among board  
37 members and senior level administrators with employees or

1 educational management service providers of the school entity.

2 (8) Review of employee files for compliance purposes but in  
3 accordance with Federal and State regulations governing  
4 confidentiality protection for employees.

5 (9) Any other test the department deems appropriate.

6 (b) The certified audit as required by subsection (a) is a  
7 public document and shall be made available on the department's  
8 publicly accessible Internet website and the school's publicly  
9 accessible Internet website, if applicable.

10 (c) A school may be subject to an annual audit by the  
11 department, its local school board or the Auditor General, in  
12 addition to any other audits required by Federal law or this  
13 act. Schools located within a school district of the first class  
14 may be subject to an annual audit by the controller of the city  
15 of the first class.

16 (d) A school shall annually provide a copy of its annual  
17 budget for the operation of the school that identifies the  
18 following:

19 (1) The source of funding for all expenditures.

20 (2) Where funding is provided by a school foundation,  
21 including any educational management service providers, the  
22 amount of funds and a description of the use of the funds.

23 (3) The salaries of all administrators of the school.

24 (e) Notwithstanding any other provisions of law, the school  
25 and an affiliated school foundation and any educational  
26 management service providers of the school shall make copies of  
27 its annual Federal and State tax filings available upon request  
28 and on the school's, school foundation's or educational  
29 management service provider's publicly accessible Internet  
30 website, including Internal Revenue Service Code Form 990,  
31 Return of Organization Exempt From Income Tax and all related  
32 schedules and appendices. The school foundation and any  
33 educational management service providers of the school shall  
34 also make copies of its annual budget available upon request and  
35 on the school foundation's or educational management service  
36 provider's publicly accessible Internet website within thirty  
37 (30) days of the close of the foundation's or educational  
38 management service provider's fiscal year. The annual budget  
39 must include the salaries of all employees of the school  
40 foundation or of the educational management service providers of  
41 the school.

42 (f) A school entity shall not make a payment to an  
43 educational management service provider that exceeds five (5)  
44 per centum of its per pupil cost.

45 (g) All operations of an educational management service  
46 provider for a school pursuant to a contract or agreement with  
47 the school shall be subject to public audit requirements under  
48 section 2553. In addition, funds provided by a school to an  
49 educational management service provider for a school pursuant to  
50 a contract or agreement with the school and the use of the funds  
51 by an educational management service provider shall be subject

1 to the audit provisions of section 403 of the act of April 9,  
2 1929 (P.L.343, No.176), known as "The Fiscal Code."

3 (h) The school records produced, obtained or maintained by  
4 an educational management service provider for a school pursuant  
5 to a contract or agreement with the school shall be subject to  
6 disclosure under the act of February 14, 2008 (P.L.6, No.3),  
7 known as the "Right-to-Know Law."

8 (i) As used in this section, the following words and phrases  
9 shall have the meanings given to them in this subsection unless  
10 the context clearly indicates otherwise:

11 "Department." The Department of Education of the  
12 Commonwealth.

13 "Educational management service provider." A for-profit  
14 education management organization, nonprofit charter management  
15 organization, school design provider, business manager or any  
16 other partner entity with which a school entity intends to  
17 contract or presently contracts to provide educational services,  
18 operational services or management services to the school  
19 entity.

20 Section 1.1. Section 1525 of the act is amended to read:

21 Amend Bill, page 75, by inserting between lines 2 and 3

22 (1) The addition of section 618 of the act shall take  
23 effect in 60 days.

24 Amend Bill, page 75, line 3, by striking out "(1)" and  
25 inserting

26 (2)

27 Amend Bill, page 75, line 5, by striking out "(2)" and  
28 inserting

29 (3)