

AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An
2 act relating to the public school system, including certain
3 provisions applicable as well to private and parochial
4 schools; amending, revising, consolidating and changing the
5 laws relating thereto," in school finances, providing for
6 internal auditing and reporting requirements.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Subarticle (a) of Article VI of the act of March
10 10, 1949 (P.L.30, No.14), known as the Public School Code of
11 1949, is amended by adding a section to read:

12 Section 618. Internal auditing and reporting requirements.--
13 (a) Each school entity shall form an independent audit
14 committee which shall review a complete certified audit of the
15 operations of the school entity at the close of each fiscal
16 year. The audit shall be conducted by a qualified independent
17 certified public accountant as selected from a list of approved
18 providers established by the department. The audit shall be
19 conducted under generally accepted audit standards of the
20 Governmental Accounting Standards Board (GASB) and shall

1 include, but not be limited to, the following tests:

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

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

6 (3) Review of internal controls, including review of
7 receipts and disbursements.

8 (4) Review of annual Federal and State tax filings,
9 including the Internal Revenue Service Code Form 990, Return of
10 Organization Exempt From Income Tax and all related schedules
11 and appendices for the school entity and school entity
12 foundation, if applicable and, including any educational
13 management service providers of the school entity.

14 (5) Review of the financials of a school entity foundation,
15 including any educational management service providers of the
16 school entity.

17 (6) Review of all contracts over five thousand dollars
18 (\$5,000) regarding the selection and acceptance process.

19 (7) Review of potential conflicts of interest among board
20 members and senior level administrators with employes or
21 educational service providers of the school entity.

22 (8) Review of employe files for compliance purposes but in
23 accordance with Federal and State regulations governing
24 confidentiality protection for employes.

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

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

30 (c) A school may be subject to an annual audit by the

1 department, its local school board or the Auditor General, in
2 addition to any other audits required by Federal law or this
3 act. Schools located within a school district of the first class
4 may be subject to an annual audit by the controller of the city
5 of the first class.

6 (d) A school shall annually provide a copy of its annual
7 budget for the operation of the school that identifies the
8 following:

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

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

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

14 (e) Notwithstanding any other provisions of law, the school
15 and an affiliated school foundation and any educational
16 management service providers of the school shall make copies of
17 its annual Federal and State tax filings available upon request
18 and on the school, school foundation or educational management
19 service provider's publicly accessible Internet website,
20 including Internal Revenue Service Code Form 990, Return of
21 Organization Exempt From Income Tax and all related schedules
22 and appendices. The school foundation and any educational
23 management service providers of the school, shall also make
24 copies of its annual budget available upon request and on the
25 school foundation or educational management service provider's
26 publicly accessible Internet website within thirty (30) days of
27 the close of the foundation's or educational management service
28 provider's fiscal year. The annual budget must include the
29 salaries of all employes of the school foundation or of the
30 educational management service providers of the school.

1 (f) A school entity shall not make a payment to an
2 educational service provider that exceeds five (5) per centum of
3 its per pupil cost.

4 (g) All operations of an educational management service
5 provider for a school pursuant to a contract or agreement with
6 the school shall be subject to public audit requirements under
7 section 2553. In addition, funds provided by a school to an
8 educational service management provider for a school pursuant to
9 a contract or agreement with the school and the use of the funds
10 by an educational management service provider shall be subject
11 to the audit provisions of section 403 of the act of April 9,
12 1929 (P.L.343, No.176), known as The Fiscal Code.

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

18 (i) As used in this section the term "educational service
19 provider" shall mean a for-profit education management
20 organization, nonprofit charter management organization, school
21 design provider, business manager or any other partner entity
22 with which a school entity intends to contract or presently
23 contracts to provide educational services, operational services
24 or management services to the school entity.

25 Section 2. This act shall take effect in 60 days.