

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1332 Session of
2019

INTRODUCED BY LONGIETTI, HILL-EVANS, ULLMAN, CALTAGIRONE,
SCHLOSSBERG, ROEBUCK, A. DAVIS, FREEMAN, FRANKEL, DONATUCCI,
MILLARD, CIRESI, CARROLL, McNEILL, T. DAVIS, D. MILLER,
STURLA, GOODMAN AND MADDEN, MAY 6, 2019

REFERRED TO COMMITTEE ON EDUCATION, MAY 6, 2019

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

1 Governmental Accounting Standards Board (GASB) and shall
2 include, but not be limited to, the following tests:

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

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

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

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

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

18 (6) Review of all contracts over five thousand dollars
19 (\$5,000) regarding the selection and acceptance process.

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

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

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

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

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

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

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

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

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

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

1 foundation or of the educational management service providers of
2 the school.

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

6 (g) All operations of an educational management service
7 provider for a school pursuant to a contract or agreement with
8 the school shall be subject to public audit requirements under
9 section 2553. In addition, funds provided by a school to an
10 educational management service provider for a school pursuant to
11 a contract or agreement with the school and the use of the funds
12 by an educational management service provider shall be subject
13 to the audit provisions of section 403 of the act of April 9,
14 1929 (P.L.343, No.176), known as "The Fiscal Code."

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

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

23 "Department." The Department of Education of the
24 Commonwealth.

25 "Educational management service provider." A for-profit
26 education management organization, nonprofit charter management
27 organization, school design provider, business manager or any
28 other partner entity with which a school entity intends to
29 contract or presently contracts to provide educational services,
30 operational services or management services to the school

1 entity.

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