

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1201 Session of 2017

INTRODUCED BY LONGIETTI, FREEMAN, ROEBUCK, McNEILL, MILLARD, STURLA AND DONATUCCI, APRIL 17, 2017

REFERRED TO COMMITTEE ON EDUCATION, APRIL 17, 2017

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

1 the school.

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

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

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

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

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

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

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