



**June 1, 2011**

## **Philadelphia School District Audited by IRS**

It is ironic that the Philadelphia School District is being audited by the IRS the same time as the district is requesting for up to \$110 million from the city of Philadelphia. This amount is to cover for a \$629 million funding gap the district faces this coming fiscal year.

On Tuesday last week, IRS officers appeared at the district headquarters to begin the audit. On the same day, the district officials approached City Council to ask for between \$75 million and \$110 million to pay for the budget shortfall. The district officials asked the IRS officers to reschedule their work.

Last Wednesday, it was reported that the district had fired Eileen Pelzer, the payroll director who has been responding to IRS enquiries since April. However, the district made no comments on the dismissal of their payroll director. A district official who is familiar with payroll issues explained that some school employees work and are paid as independent contractors in after-school activities for various schools.

In this regard, the district came out with a statement pertaining to the IRS audit through its spokesperson, Jamilah Fraser that, "It (the IRS audit) is

not a criminal or civil investigation.” The statement also noted that “school districts nationwide” are “audited by several entities every year” and described the IRS enquiry as a “random, routine audit.”

The statement said that, “The purpose (of the audit) is to ensure that we are complying with the tax code and that our employees are doing the same.”

The district confirmed that the IRS had presented it with 28 items to answer to. It was not an expanded number and it did not contain questions about expense reimbursements for School Reform Commission members. The district says it is fully committed to responding to the 28 items.

State Sens. Shirley Kitchen and Vincent J. Hughes jointly wrote a letter to Mayor Nutter and City Council President Anna Verna requesting for additional funds to aid the district’s schools. Kitchen said the IRS audit did not change anything.

Mayor Nutter has expressed his support for getting the requested funds for the schools. The city is set to provide \$815 million in tax revenues and grant funding to the district for its fiscal year starting July 1. This comes up to about 30% of the district's budget.