

State Public School Building Authority

Pennsylvania Higher Educational Facilities Authority

Background

SPSBA and PHEFA provide tax-exempt financing for educational institutions. SPSBA serves public schools and community colleges, while PHEFA clients are public and private colleges and universities. The authorities finance projects through the issuance of bonds, the principal and interest of which are paid by the annual lease/loan payments collected from the borrower. The authorities have no general liability with respect to these obligations and have no beneficial interest in the related assets held by trustees. Acting solely in an agency capacity, the authorities serve as a financing conduit, bringing the ultimate borrower and the ultimate lender together. SPSBA and PHEFA are component units of the Commonwealth of Pennsylvania for financial reporting purposes.

SPSBA and PHEFA share the same staff and board members. The authorities have 7 full-time employees. All fee income is generated by PHEFA. SPSBA does not charge a fee for its services. Additional income is generated by an investment portfolio. The Authority does not receive an appropriation from the Commonwealth of Pennsylvania.

Common questions from firms:

1. Prior year audit fee - **\$27,957**
2. Who prepares financials and footnotes? – **SPSBA**
3. When can the audit begin? **First week of August**
4. How long are auditors on-site? **1 week**
5. How many audit staff are on-site? **1 senior and 1 staff**
6. What accounting software is used? – **We are transitioning to Sage 100 from JDEdwards (Oracle World) during FYE 6/30/20. We also use Sympro (investments) and Munease (debt management for outstanding bonds). Revolving loans use custom software which exports into Excel.**
7. What are the typical number of audit adjustments? **Zero**
8. How is outstanding debt confirmed? **It is confirmed on a sample basis with Confirmation.com or the trustee. The larger trustees require the use of Confirmation.com. New issuance can be verified using the Official Statement from the bond closing documents.**
9. Do the authorities have an internal audit department? **No**
10. Were letters issued for significant deficiencies or material weaknesses? **No**
11. Is there an Investment Policy and Audit Charter? **Yes**
12. Is the annual fee charged by PHEFA based on a fee schedule or determined on a case by case basis? **The fee is based on a percentage of bonds issued subject to a maximum amount.**
13. Any changes in the amount of anticipated activity for 2020 (either loans made, conduit bonds financed, or fees collected from colleges)? **Financings vary year to year based on the capital needs of our clients. Fees from colleges are fairly consistent since they are based on bonds outstanding.**
14. Does the Authority maintain commercial insurance? **Insurance coverage is obtained through the Department of General Services.**