

WOODLAND HILLS SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

DECEMBER 2010

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mrs. Marilyn Messina, Board President
Woodland Hills School District
2430 Greensburg Pike
Pittsburgh, Pennsylvania 15221

Dear Governor Rendell and Mrs. Messina:

We conducted a performance audit of the Woodland Hills School District (WHSD) to determine its compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. Our audit covered the period September 14, 2007 through December 11, 2009, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the WHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

Our finding, observation and recommendations have been discussed with WHSD's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve WHSD's operations and facilitate compliance with legal and administrative requirements. We appreciate the WHSD's cooperation during the conduct of the audit and their willingness to implement our recommendations.

Sincerely,

/s/

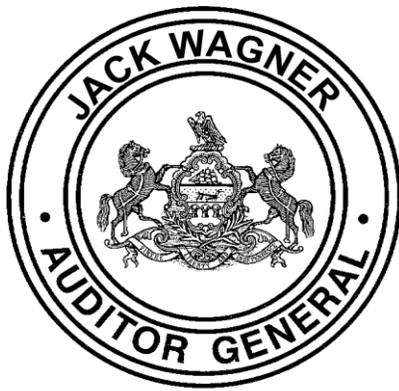
JACK WAGNER
Auditor General

December 30, 2010

cc: **WOODLAND HILLS SCHOOL DISTRICT** Board Members

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Woodland Hills School District (WHSD). Our audit sought to answer certain questions regarding the District's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures; and to determine the status of corrective action taken by the WHSD in response to our prior audit recommendations.

Our audit scope covered the period September 14, 2007 through December 11, 2009, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07.

District Background

The WHSD encompasses approximately 12 square miles. According to 2000 federal census data, it serves a resident population of 52,876. According to District officials, in school year 2007-08 the WHSD provided basic educational services to 4,865 pupils through the employment of 400 teachers, 162 full-time and part-time support personnel, and 42 administrators. Lastly, the WHSD received more than \$27.3 million in state funding in school year 2007-08.

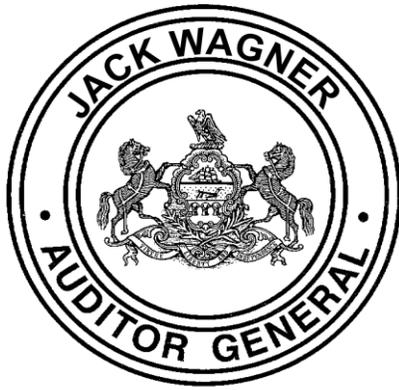
Audit Conclusion and Results

Our audit found that the WHSD complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures, except for one compliance-related matters reported as a finding. In addition, one matter unrelated to compliance is reported as an observation.

Finding: One Municipality Failed to Provide the School District with an Updated Memorandum of Understanding. Our audit of the WHSD's records found that the Memorandum of Understanding (MOU) between the WHSD and one local law enforcement agency was not signed (see page 6).

Observation: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications. The WHSD does not yet have written policies or procedures in place to ensure that the WHSD or transportation contractor are notified if current employees have been charged with or convicted of serious criminal offenses (see page 8).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the WHSD from an audit we conducted of the 2005-06 and 2004-05 school years, we found the WHSD had not taken appropriate corrective action in implementing our recommendations pertaining to the MOU and administrative policies for bus drivers (see page 10).



Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each Local Education Agency (LEA). The results of these audits are shared with LEA management, the Governor, the PA Department of Education, and other concerned entities.

Our audit, conducted under authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period September 14, 2007 through December 11, 2009, except for the verification of professional employee certification which was performed for the period July 1, 2007 through June 30, 2009.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

While all districts have the same school years, some have different fiscal years. Therefore, for the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a law, regulation, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as, laws, regulations, and defined business practices. Our audit focused on assessing the WHSD's compliance with applicable state laws, regulations, contracts, grant requirements and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Were professional employees certified for the positions they held?
- ✓ In areas where the District receives state subsidy and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?

- ✓ Is the District's pupil transportation department, including any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Does the District ensure that Board members appropriately comply with the Public Official and Employee Ethics Act?
- ✓ Are there any declining fund balances which may impose risk to the fiscal viability of the District?
- ✓ Did the District pursue a contract buyout with an administrator and if so, what was the total cost of the buy-out, reasons for the termination/settlement, and do the current employment contract(s) contain adequate termination provisions?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Is the District taking appropriate steps to ensure school safety?
- ✓ Did the District use an outside vendor to maintain its membership data and if so, are there internal controls in place related to vendor access?
- ✓ Did the District take appropriate corrective action to address recommendations made in our prior audits?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

WHSD management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations;
- Relevance and reliability of operational and financial information;
- Compliance with applicable laws, regulations, contracts, grant requirements and administrative procedures.

controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit are included in this report.

In order to properly plan our audit and to guide us in possible audit areas, we performed analytical procedures in the areas of state subsidies/reimbursement, pupil membership, pupil transportation, and comparative financial information.

Our audit examined the following:

- Records pertaining to pupil transportation, bus driver qualifications, professional employee certification, state ethics compliance, and financial stability.
- Items such as Board meeting minutes, pupil membership records, and reimbursement applications.
- Tuition receipts and deposited state funds.

Additionally, we interviewed selected administrators and support personnel associated with WHSD operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 14, 2008, we reviewed the WHSD's response to DE dated June 10, 2009. We then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding

One Municipality Failed to Provide the School District with an Updated Memorandum of Understanding

Criteria relevant to this finding:

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement which sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.

Additionally, the Basic Education Circular issued by the Department entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions item B of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter.

Our prior audit found that the District had not updated its Memoranda of Understanding (MOU) with its local law enforcement agencies (see page 10). Our current audit found that the District obtained properly signed MOUs between the District and five of the six of its local law enforcement agencies. One local law enforcement agency had not provided the updated MOU as of December 11, 2009.

The failure to maintain an updated MOU with the local law enforcement agency could result in a lack of cooperation, direction, and guidance between District employees and the law enforcement agency, if an incident occurs on school property, at any school-sponsored activity, or any public conveyance providing transportation to or from a school or school-sponsored activity. This could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The *Woodland Hills School District* should:

In consultation with the District's solicitor, continue to work towards a resolution of this issue with the local law enforcement agency that has failed to sign the MOU.

Management Response

Management stated the following:

Upon notification of the required signatures, I [i.e., the superintendent] set up appointments with each Police Chief within our district with whom I needed to get an agreement.

All parties were willing to sign off on the Memorandum of Understanding with the exception of [two municipalities]. Both departments said they needed the information reviewed with their respective solicitors and would get back to me.

Despite several calls to each department and an explanation this a Commonwealth mandated agreement, both continued to refrain from signing. I did obtain a recent copy of [one] agreement (within two years) to satisfy the Commonwealth's mandate.

To this date, [the remaining municipality] has refused to sign the agreement and I will continue to request compliance until we have final agreement.

Observation

Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications

Criteria relevant to the observation:

Public School Code Section 111 (24 P.S. 1-111) requires prospective school employees who would have direct contact with children, including independent contractors and their employees, to submit a report of criminal history record information obtained from the Pennsylvania State Police. Section 111 lists convictions of certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Similarly, Section 6355 of the Child Protective Services Law (CPSL), 23 Pa. C.S. 6355, requires prospective school employees to provide an official child abuse clearance statement obtained from the Pennsylvania Department of Public Welfare. The CPSL prohibits the hiring of an individual determined by a court to have committed child abuse.

During our current audit, we reviewed documentation for 147 bus drivers currently employed by the District's transportation contractors. We found that all drivers possessed the minimum requirements to be employed as bus drivers and that the District had on file the required report of criminal history record information and the official child abuse clearance statements for all driver files reviewed.

However, as was also noted in the prior audit (see page 10), we found that both the District and the transportation contractors had yet to implement written procedures to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses that should be considered for the purpose of determining an individual's continued suitability to be in direct contact with children.

Recommendations

The *Woodland Hills School District* should:

1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District's transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to continue to have direct contact with children.
2. Implement written policies and procedures to ensure the District is notified when drivers are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children.

Management Response

Management stated the following:

During the audit, the auditor discussed the need for a procedure on random background testing for current drivers. A procedure was established and communicated to all carriers.

After further review and discussion with the auditor, it has been determined the Department of the Auditor General would like a written policy that requires each bus contractor to notify the District in the event of an employee being arrested.

In collaboration with the personnel office, the transportation director has begun to draft a policy regarding the required notification and will present the policy to the school board of directors for approval. With the three required readings, the District anticipates approval no later than December 2010.

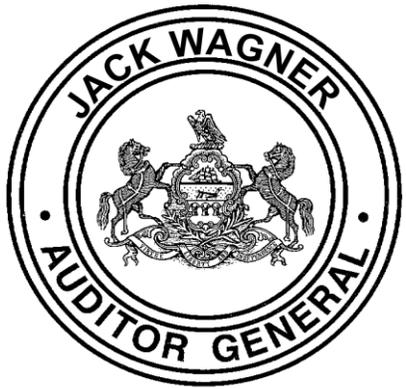
In the interim, the transportation director has created a procedure requiring all bus contractors to notify the District, in writing, when any of their drivers who work within the school District are cited and/or arrested for any reason. At this time, the District will determine if the contracted driver should be removed from service from the school district.

Status of Prior Audit Findings and Observations

Our prior audit of the Woodland Hills School District (WHSD) for the school years 2005-06 and 2004-05 resulted in two reported observations. The first observation pertained to Memorandum of Understanding not being updated and the second observation dealt with weaknesses in policies concerning bus drivers. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We analyzed the WHSD Board’s written response provided to the Department of Education, performed audit procedures, and questioned District personnel regarding the prior observations. As shown below, we found that the WHSD did not implement recommendations related to the observation topics.

<i>School Years 2005-06 and 2004-05 Auditor General Performance Audit Report</i>		
<i>Prior Recommendations</i>	<i>Implementation Status</i>	
<p><u><i>I. Observation No. 1: Memorandum of Understanding Not Updated Timely</i></u></p> <p>1. The District administration, in consultation with the District’s solicitor, should review and update the current Memoranda of Understanding (MOU) between itself and its local law enforcement agencies.</p>	<p>Background:</p> <p>Our prior audit of the District’s records found that the District had on file a properly signed MOU between the District and each of its local law enforcement agencies; however, the MOUs had not been updated since June of 2002.</p>	<p>Current Status:</p> <p>The District currently has five of the six MOUs signed and on file. One law enforcement agency has failed to sign the MOU (see the finding on page 6).</p>
<p><u><i>II. Observation No. 2: Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers’ Qualifications</i></u></p> <p>1. Develop a process to determine, on a case-by-case basis, whether prospective and current employees of the District or the District transportation contractor have been charged with or convicted of crimes that, even though not disqualifying under state law, affect their suitability to have direct contact with children.</p>	<p>Background:</p> <p>Our prior audit found that two bus drivers had convictions for crimes we considered serious, although they were not crimes that prohibited the drivers from being hired. Furthermore, our review found that neither the District nor the transportation contractors have written policies or procedures in place to ensure that they are notified if current employees have been charged with or convicted of serious criminal offenses which should be considered for the purposes of determining an individual’s continued suitability to be in direct contact with children.</p>	<p>Current Status:</p> <p>Our current audit found that the two drivers noted in the prior audit no longer work for the District. We also found that all bus drivers have current licenses and clearances on file.</p> <p>However, neither the District nor the transportation contractors have a policy in effect to have current employees notify them if they have been charged with or convicted of a serious criminal offense. (See the observation on page 8.)</p>

<p>2. Implement written policies and procedures to ensure the District is notified when current employees of the District or the District's transportation contractor are charged with or convicted of crimes that call into question their suitability to continue to have direct contact with children and to ensure that the District considers on a case-by-case whether any conviction of a current employee should lead to an employment action.</p>		
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Distribution List

This report was initially distributed to the superintendent of the school district, the board members, our website address at www.auditor.gen.state.pa.us, and the following:

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