



WOODLAND HILLS SCHOOL DISTRICT  
ALLEGHENY COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

OCTOBER 2013

COMMONWEALTH OF PENNSYLVANIA

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

DEPARTMENT OF THE AUDITOR GENERAL



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**EUGENE A. DePASQUALE**  
AUDITOR GENERAL

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. Regis Driscoll, Board President  
Woodland Hills School District  
2430 Greensburg Pike  
Pittsburgh Pennsylvania 15221

Dear Governor Corbett and Mr. Driscoll:

We conducted a performance audit of the Woodland Hills School District (District) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period December 11, 2009 through August 20, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to Section 403 of The Fiscal Code, 72 P.S. § 403, and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found significant noncompliance with relevant requirements, as detailed in the three audit findings within this report. In addition, we identified two matters unrelated to compliance that are reported as observations. A summary of the results is presented in the Executive Summary section of the audit report. These findings and observations include recommendations aimed at the District and a number of different government entities, including the Pennsylvania Department of Education.

Our audit findings, observations, and recommendations have been discussed with the District's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the District's operations and facilitate compliance with legal and administrative requirements.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE  
Auditor General

October 28, 2013

cc: **WOODLAND HILLS SCHOOL DISTRICT** Board of School Directors

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## **Executive Summary**

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### **Audit Work**

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

Our audit scope covered the period December 11, 2009 through August 20, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10 and 2008-09 school years.

### **District Background**

The District encompasses approximately 12 square miles. According to 2010 federal census data, it serves a resident population of 46,882. According to District officials, the District provided basic educational services to 4,311 pupils through the employment of 358 teachers, 152 full-time and part-time support personnel, and 45 administrators during the 2009-10 school year. Lastly, the District received \$29.4 million in state funding in the 2009-10 school year.

### **Audit Conclusion and Results**

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the three audit findings and two observations within this report.

#### **Finding No. 1: Internal Control Weaknesses Noted in Transportation**

**Data Reporting.** Our audit of the Woodland Hills School District's (District) pupil transportation records and reports for the 2009-10 and 2008-09 schools years found weaknesses in the District's system of internal controls (see page 6).

#### **Finding No. 2: Continued Failure to Monitor Bus Drivers' Qualifications.**

For the second audit in a row, our review of the Woodland Hills School District's (District) personnel records found that District personnel failed to monitor the qualifications of all bus drivers utilized by its transportation contractors. In addition, the District's Board of School Directors failed to approve annually all of the bus drivers utilized by the District's contractors (see page 8).

#### **Finding 3: Continued Failure to Develop Memorandum of Understanding with**

**Local Law Enforcement.** Our audit of the Woodland Hills School District's (District) records again found that the District failed to enter into a Memorandum of Understanding between the District and one local law enforcement agency (see page 10).

**Observation No. 1: Amount Paid Pupil Transportation Contractor Greatly Exceeds Commonwealth Transportation Allowance.**

Our audit of the Woodland Hills School District's (District) contracted pupil transportation costs for the school years ending June 30, 2010 and June 30, 2009, found that the District was paying its transportation contractor significantly more than the Commonwealth's transportation allowance, which the Pennsylvania Department of Education calculates for reimbursement purposes (see page 12).

**Observation No. 2: The District's Charter School Costs are Rising.**

During our current audit we reviewed several financial indicators at the Woodland Hills School District to determine its financial stability, and found that the costs associated with charter schools are rising (see page 15).

**Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the Woodland Hills School District (District) released on December 30, 2010, we found that the District had not taken appropriate corrective action in implementing our recommendations pertaining to the one municipality that failed to provide the District with an updated Memorandum of Understanding and the internal control weaknesses in administrative policies regarding bus drivers' qualifications (see pages 19).

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania 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 Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under authority of Section 403 of The Fiscal Code, 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 December 11, 2009 through August 20, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10 and 2008-09 school years.

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 Pennsylvania Department of Education (PDE) 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 statute, regulation, policy, 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 and defined business practices. Our audit focused on assessing the District's compliance with certain relevant 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:

- ✓ In areas where the District received state subsidies and reimbursements based on pupil membership (e.g. basic education, special education, and vocational education), did it follow applicable laws and procedures?
- ✓ Did the District have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable?

- ✓ In areas where the District received transportation subsidies, were the District and any contracted vendors, in compliance with applicable state laws and procedures?
- ✓ Did the District, and any contracted vendors, ensure that their current bus drivers were properly qualified, and did they have written policies and procedures governing the hiring of new bus drivers?
- ✓ Were there any declining fund balances that may pose a risk to the District's fiscal viability?
- ✓ Did the District pursue a contract buy-out with an administrator and if so, what was the total cost of the buy-out, what were the reasons for the termination/settlement, and did the current employment contract(s) contain adequate termination provisions?
- ✓ Did the District take appropriate steps to ensure school safety?
- ✓ Did the District have a properly executed and updated Memorandum of Understanding with local law enforcement?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties?

## **Methodology**

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

The District's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the District is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our audit, we obtained an understanding of the District's internal controls, including any information technology controls, as they relate to the

*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 certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

District's compliance with relevant requirements that we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives 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 and reimbursements, pupil transportation, pupil membership, and comparative financial information.

Our audit examined the following:

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

Additionally, we interviewed select administrators and support personnel associated with the District's operations.

Lastly, to determine in the status of our audit recommendations made in a prior audit report released on December 30, 2010, we performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding No. 1

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### Internal Control Weaknesses Noted in Transportation Data Reporting

*Criteria relevant to the finding:*

Chapter 23 of the State Board of Education Regulations, Section 3.4, states, in part:

The board of directors of a school district shall be responsible for all aspects of pupil transportation programs, including:

- (6) The maintenance of a record of pupils transported to and from school, including determination of pupils' distances from home to pertinent school bus loading zones.

Additionally, according to the *Federal Information Systems Control Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

According to the federal Government Accountability Office's (GAO) (formerly the General Accounting Office) *Standards for Internal Control in the Federal Government*, internal controls are key factors in an agency's ability to meet its mission, improve performance, and "minimize operational problems."

Our audit of the Woodland Hills School District's (District) pupil transportation records and reports for the 2009-10 and 2008-09 school years found weaknesses in the District's system of internal controls.

The Pennsylvania Department of Education's (PDE) instructions for completing the End-of-Year Pupil Transportation Reports state that the local education agency (LEA) must maintain records of miles with pupils, miles without pupils, and the largest number of pupils assigned to each vehicle. The instructions also indicate that miles with, miles without, and the number of pupils assigned to each bus must be calculated using a weighted average or a sample average method. Additionally, the instructions require that the LEA retain its transportation procedures, information, and data for audit purposes.

Our test work found that the District did not maintain either mileage documentation or student rosters for the 2009-10 or the 2008-09 school years. As stated above, this information is necessary in determining whether the District received an accurate transportation reimbursement. Consequently, the auditors could not confirm that the District accurately reported its mileage and number of students transported to PDE for reimbursement purposes. In addition, we noted that the District did not report activity runs for the 2008-09 school year.

It is the responsibility of District management to have internal policies and procedures in place to ensure that the District's transportation data is accurate, properly collected, and appropriately submitted to PDE. If such procedures had been in place, it is likely that the accuracy of the District's transportation data would not have been impacted by a staffing change. Furthermore, without these internal controls, the District cannot be assured that it is receiving the proper transportation reimbursements.

In addition, this guidebook states that an “Internal control is not an event, but a series of actions and activities that occur throughout an entity’s operations and on an ongoing basis . . . In this sense, internal control is management control that is built into the entity as a part of its infrastructure to help managers run the entity and achieve their aims on an ongoing basis.” U.S. General Accounting Office. *Standards for Internal Control in the Federal Government*. (November 1999), pg 1.

## Recommendations

The *Woodland Hills School District* should:

1. Develop internal policies and procedures regarding the how the District will record miles with pupils, miles without pupils, the largest number of pupils assigned to each vehicle, and how it will calculate its transportation reimbursement.
2. Establish internal policies and procedures for ensuring that the District accurately reports its transportation data to PDE.
3. Review subsequent years of transportation data to ensure that District personnel accurately reported daily mileage and pupil counts to PDE.
4. Ensure District personnel are familiar with transportation guidelines and instructions and retain all required documentation for audit.

## Management Response

Management stated the following:

“The District has taken steps to correct this deficiency and all transportation reimbursements are being tracked to the best of our knowledge.”

## Auditor Conclusion

We commend the District for addressing the deficiencies with its transportation data reporting. However, we also suggest that District management establish mechanisms for determining whether staff is following any new tracking processes. We will evaluate the changes during our next audit.

## Finding No. 2

### Continued Failure to Monitor Bus Drivers' Qualifications

*Criteria relevant to the finding:*

Chapter 23 of the State Board of Education Regulations indicates the board of directors of a school district is responsible for the selection and approval of eligible operators who qualify under the law and regulations.

The Pennsylvania Department of Transportation bus driver regulations require the possession of a valid driver's licenses and passing a physical examination.

Section 111 of the Public School Code 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 for certain criminal offenses that, if indicated on the report to have occurred within the preceding five years, would prohibit the individual from being hired.

Section 6355 of the Child Protective Services Law (CPSL) requires prospective school employees to submit 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 a committed child abuse.

For the second audit in a row, our review of the Woodland Hills School District's (District) personnel records found that District personnel failed to monitor the qualifications of all bus drivers utilized by its transportation contractors. In addition, the District's Board of School Directors (Board) failed to approve annually all of the bus drivers utilized by the District's contractors.

We reviewed the personnel records of 37 bus drivers currently employed by the District's pupil transportation contractors for the 2011-12 school year. After three separate requests for drivers' qualifications, our review still found the following documents missing from the bus drivers' files: Act 114 Federal Criminal History Records (19 missing), Act 34 Pennsylvania State Police Criminal History Records (one missing), and Pennsylvania driver's licenses (two missing).

Without these documents, the District's staff could not have determined whether those drivers transporting the District's students met all of the criteria required by law to qualify as a valid school bus driver. Additionally, our review found that the District did not have procedures in place to ensure that all of the necessary bus drivers' qualification documents were on file at the District and reviewed for completion and appropriateness, prior to the beginning of the school year.

According to District personnel, these records were not on file because the former transportation director failed to require the transportation contractors to comply with the terms of the contracts and certain provisions of the Public School Code and the Child Protective Services Law.

In addition, the State Board of Education Regulations requires the boards of school directors to approve all eligible bus drivers who qualify to operate a district's buses and to transport students. However, our review of the District's board meeting minutes found that the Board did not approve the bus drivers utilized by the District's contractor for the 2011-12 school year. As a result, the

Board failed to appropriately carry out its fiduciary responsibilities to the students and citizens of the District.

### **Recommendations**

The *Woodland Hills School District* should:

1. Establish policies and procedures to ensure that the District's transportation director reviews each driver's qualifications prior to Board approval.
2. Ensure the Board annually approves the lists of contracted bus drivers, once the District's transportation director has determined all drivers meet the required qualifications.
3. Develop procedures to ensure that the transportation contractor does not allow any driver to transport students without required board approval.
4. Ensure that the transportation contractor provides the District written notice if current drivers have been charged with or convicted of criminal offenses.
5. Ensure that District-maintained files are up-to-date and complete.

### **Management Response**

Management stated the following:

“Bus Drivers Clearances and qualifications are now being reviewed semi-annually.”

### **Auditor Conclusion**

We commend the District for addressing this deficiency. We will review the changes to its internal controls during our next audit.

### Finding No. 3

### Continued Failure to Develop Memorandum of Understanding with Local Law Enforcement

*Public School Code and criteria relevant to the finding:*

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the Memorandum of Understanding (MOU) to the office by June 30, 2011, and biennially update and re-execute a MOU with local law enforcement and file such memorandum with the office on a biennial basis. . . .”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means “an event that occurs every two years.”

Prior to enactment of additional MOU requirements on November 17, 2010, all public schools were required to develop a memorandum of understanding with local law enforcement.

Our audit of the Woodland Hills School District’s (District) records again found that the District failed to enter into a Memorandum of Understanding (MOU) between the District and one of the six local law enforcement agencies having jurisdiction over school property, as required by law. A MOU sets forth agreed upon procedures to be followed should an incident, involving an act of violence or possession of a weapon, occur on school property.

Noncompliance with the statutory requirement to update and re-execute MOUs with all pertinent local law enforcement agencies every two years could result in a lack of cooperation, direction, and guidance between District employees and the local law enforcement agencies if an incident occurs on school property, at a school-sponsored activity or during the transportation of students to or from school. For example, failure to maintain a MOU could delay law enforcement notification and response and ultimately interfere with resolving an emergency.

Moreover, recently enacted amendments to the safe schools provisions of the Public School Code expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with the Pennsylvania Department of Education’s Office of Safe Schools on a biennial basis. Consequently, future failure to develop a MOU will result in non-compliance with additional MOU requirements enacted November 17, 2010.

According to the District administration, the MOU has not been signed by the one remaining local law enforcement agency because the agency’s director will not agree to the terms of the memorandum.

## **Recommendations**

The *Woodland Hills School District* should:

Continue to negotiate with the one remaining local law enforcement agency to get it to sign a MOU with the District for the safety and protection of the District's students and staff.

## **Management Response**

Management stated the following:

“The District has a memorandum of understanding with all the police departments within the district except one and we will continue to attempt to obtain a memorandum of understanding from that Department.”

## **Auditor Conclusion**

We commend the District for continuing to work towards an agreement with the remaining non-participating law enforcement agency. We will review the District's MOUs during our next audit.

**Observation No. 1**

**Amount Paid Pupil Transportation Contractor Greatly Exceeds District's Commonwealth Transportation Allowance**

Our audit of the Woodland Hills School District's (District) contracted pupil transportation costs for the school years ending June 30, 2010 and June 30, 2009, found that the District was paying its transportation contractor significantly more than the Commonwealth's transportation allowance, which the Pennsylvania Department of Education (PDE) calculates for reimbursement purposes.

PDE uses a variety of data to calculate how much Commonwealth reimbursement a school district should receive for its student transportation costs. These data elements include a per vehicle amount based on the year of manufacture of the vehicle chassis, the approved seating capacity, the number of trips the vehicle operates, the number of days pupils were transported, the approved daily miles driven, any excess hours and the greatest number of pupils transported. In addition, PDE annually adjusts the allowance by an inflationary cost index. The districts then receive either the calculated amount for the vehicles or the actual amount paid to the contractor multiplied by the district's aid ratio, whichever is less.

The District's final formula allowance and contracted costs for the school years ended June 30, 2010 and June 30, 2009 were as follows (*See Table 1*):

<u>School Year End June 30</u>	<u>Contractor Cost</u>	<u>Final Formula Allowance (FFA)</u>	<u>Amount Over FFA</u>	<u>Percent Over FFA</u>
2010	\$6,288,389	\$3,113,748	\$3,174,641	101.9%
2009	5,033,038	3,327,331	1,705,707	51.2%

Although the costs to the District increased over the two years reviewed, our audit of the services provided by the pupil transportation contractor found that the number of vehicles used to transport pupils had only a slight increase, the District's total number of pupils transported had decreased, and the number of approved annual miles vehicles traveled had decreased more than 10 percent (*See Table 2*).

<b>Table 2: More Vehicles for Fewer Pupils</b>			
<u>School Year End June 30</u>	<u>Number of Vehicles</u>	<u>Number of Pupils</u>	<u>Total Approved Annual Miles</u>
2009-10	170	5,672	1,317,707
2008-09	167	5,910	1,497,811

Our testing also found that the District’s Board of School Directors (Board) had approved new four-year contracts with the District’s current transportation contractor without the public solicitation of bids. These contracts provided for a base daily rate in the first year and annual increases for the subsequent three years. We asked the District’s administrative personnel why they did not solicit bids. The District administrative personnel stated, “The District stayed with the same contractors because they are all located within the boundaries of the District.”

While bidding of pupil transportation services is not required under state law, competitive bidding can result in a lower cost to District taxpayers.

### **Recommendations**

The *Woodland Hills School District* should:

1. Prior to negotiating a new contract, the Board and administrative personnel should be cognizant of the state’s final formula allowance.
2. Routinely seek competitive bids for all the District’s pupil transportation services to ensure the most efficient cost to the District and its taxpayers.
3. Prepare pupil transportation contracts to ensure the local effort share is as minimal as permitted by establishing the base rate and increases in line with PDE’s final formula allowance for all pupil transportation costs.
4. Continuously monitor pupil transportation costs, and require contractors justify any increase costs to the District.

## **Management Response**

Management stated the following:

“We expect the amount of reimbursement received for transportation to have more favorable ratio to cost with transportation internal controls we have implemented.”

## **Auditor Conclusion**

We are encouraged that the District has implemented internal controls over its transportation contract monitoring. We will evaluate these new controls during our next audit.

## Observation No. 2

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## The District's Charter School Costs are Rising

*Criteria relevant to the observation:*

The cost for a school district student attending a charter school is paid out of the sending district's operating funds. This results in a reduction of the funds available for use in providing educational services to the district's students that remained in the traditional public school. This scenario continues until the number of students attending charter schools is so large that the district can reduce costs by closing a school building and reduces the number of staff employed by the district.

During our audit of the Woodland Hills School District (District), we reviewed 22 financial indicators in an effort to assess the District's financial stability. These financial benchmarks are based on best business practices established by several agencies, including the Pennsylvania Association of School Business Officials, the Colorado State Auditor, and the National Forum on Education Statistics. The following were among the general areas we evaluated: (1) the level of the general fund balance (assigned and unassigned), (2) the amount of total debt service, (3) the current ratio (current assets ÷ current liabilities) of all governmental funds, and (4) the trend of annual changes in financial position for all governmental funds.

Of the 22 financial benchmarks we examined, we found that the District's charter schools costs showed a negative trend, which could impact its overall financial stability.

For the trend period 2008 to 2011, the number of District students attending charter schools increased, with a corresponding increase in the amount of tuition the District paid to charter schools. The increase in charter school attendance reduced the District's available funds and potentially jeopardized the type and amount of education services it could provide to its remaining students. This trend places added financial pressure on the District. Specifically, it can only significantly curtail its fixed operating costs if it can reduce the number of staff or school buildings needed. However, this shift can only happen if a large enough number of students move to the charter school, otherwise the District's reduced enrollment merely leaves it with a drop in revenue and no significant way to reduce expenses.

As shown in the table below, the number of District students attending charter schools increased from 9 percent on June 30, 2008 to 17.6 percent on June 30, 2011:

<b>Trend: Charter School Membership Growth</b> (As a Percentage of Total District Membership)			
<u>Year End</u> <u>June 30</u>	<u>Charter School</u> <u>ADM<sup>1</sup></u>	$\div$ <u>Total District</u> <u>ADM</u>	$=$ <u>Charter School/</u> <u>District ADM</u>
2008	478.810	5,320.688	<b>9.00%</b>
2009	710.588	5,105.938	<b>13.92%</b>
2010	721.473	5,101.661	<b>14.14%</b>
2011	885.952	5,026.478	<b>17.63%</b>

District personnel believe that the trend of increasing charter school membership and increasing costs to the District will continue as new charter schools open within the District's boundaries.

Charter school tuition cost constituted 13.67 percent of the District's total expenditures for fiscal year ended June 30, 2011. This has been an increasing trend since June 30, 2007, as shown in the following table:

<b>Trend: Charter School Cost to District Growth</b> (As a Percentage of Total District Expenditures)			
<u>Year End</u> <u>June 30</u>	<u>Tuition Paid To</u> <u>Charter Schools</u>	$\div$ <u>Total District</u> <u>Expenditures</u>	$=$ <u>Charter Costs/</u> <u>Total Costs</u>
2007	\$ 3,891,312	\$74,386,877	<b>5.23%</b>
2008	5,563,487	73,844,838	<b>7.53%</b>
2009	7,600,356	72,067,054	<b>10.55%</b>
2010	8,510,958	75,536,125	<b>11.27%</b>
2011	10,413,235	76,160,694	<b>13.67%</b>

While the cost of tuition paid to charter schools is taking up a growing percentage of the District's total expenditures, the District has been unable to keep pace with that growth by increasing its revenues. This issue is compounded by the fact that since 2011, the Commonwealth has not funded the school district reimbursement for charter school tuition costs. If this reimbursement were still in place, the District would have received at least \$1,772,992 in additional revenue.

<sup>1</sup> ADM (Average Daily Membership) is the average number of students in membership during the reporting period (aggregate day's membership divided by days in session). *Glossary of Child Accounting Terms*, Pennsylvania Department of Education, pg. 1-8, September 2004.

As shown in the table below, we found during our trend period that the cost of tuition paid to charter schools is also taking up a growing percentage of the District’s total revenues:

<b>Trend: Charter School Cost to District Growth</b>			
<i>(As a Percentage of Total District Revenues)</i>			
<u>Year End</u> <u>June 30</u>	<u>Tuition Paid To</u> <u>Charter Schools</u>	<u>÷</u> <u>Total District</u> <u>Revenues</u>	<u>=</u> <i><b>Charter Costs/</b></i> <i><b>District Revenues</b></i>
2007	\$ 3,891,312	\$79,457,853	<b>4.90%</b>
2008	5,563,487	80,816,772	<b>6.88%</b>
2009	7,600,356	79,882,847	<b>9.51%</b>
2010	8,510,958	84,223,337	<b>10.11%</b>
2011	10,413,235	80,785,948	<b>12.89%</b>

If the District’s student population continues to enroll in charter schools, but does not do so in sufficient numbers to allow the District to obtain any operational savings, the District could continue to see a further reduction in its revenue. As a result, the District could be forced to reduce the amount or type of educational services it provides to its remaining students.

**Recommendations**

The *Woodland Hills School District* should:

1. Conduct a survey with parents sending their children to a charter school to determine the reason why the District is losing students.
2. Monitor the costs to the District related to charter schools, and any other relevant financial benchmarks, on a continuous basis.
3. Develop a method for tracking and evaluating the performance of the charter schools it authorizes, so that it can take steps to hold them accountable. This process should include a thorough evaluation of the charter schools’ renewal applications.

**Management Response**

Management stated the following:

“All relevant indicators are now being monitored.”

### **Auditor Conclusion**

We commend the District for initiating a periodic review of relevant financial indicators. We will review this process during our next audit.

## **Status of Prior Audit Findings and Observations**

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Our prior audit of the Woodland Hills School District (District) released on December 30, 2010, resulted in a reported finding and observation. The finding pertained to Memorandum of Understanding not being updated by one municipality. The observation pertained to internal control weaknesses in administrative policies regarding bus drivers' qualifications. As part of our current audit, we determined the status of corrective action taken by the District to implement our prior recommendations. We performed audit procedures and interviewed District personnel regarding the prior finding. As shown below, we found that the District did not implement recommendations related to both the finding and the observation noted above.

### **Auditor General Performance Audit Report Released on December 30, 2010**

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

Finding Summary: Our prior audit found that one of the local law enforcement agencies had not provided the updated Memorandum of Understanding (MOU) as of December 11, 2009.

Recommendations: Our audit finding recommended that the District:

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.

Current Status: During our current audit, we found that the District did not implement the recommendation (see Finding No. 3 on page 10).

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**Observation:** **Internal Control Weaknesses in Administrative Policies Regarding Bus Drivers' Qualifications**

Observation Summary:

During our prior audit, we followed up on our previous audit observation that the District had internal control weaknesses in bus driver qualification processes. Although we found that all drivers reviewed 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, we found that both the District and the transportation contractors had still not yet implemented 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: Our audit observation recommended that the District:

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.

Current Status: During our current audit, we found that the District once again did not implement our recommendations (See Finding No. 2, on page 8).

## **Distribution List**

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This report was initially distributed to the Superintendent of the District, the Board of School Directors, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
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The Honorable Carolyn Dumaesq  
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The Honorable Robert M. McCord  
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