

PERFORMANCE AUDIT

City Charter High School Allegheny County, Pennsylvania

September 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Dr. Ronald Sofo, CEO/Director
City Charter High School
201 Stanwix Street
Pittsburgh, Pennsylvania 15222

Mr. David Lehman, Board President
City Charter High School
201 Stanwix Street
Pittsburgh, Pennsylvania 15222

Dear Dr. Sofo and Mr. Lehman:

We conducted a performance audit of the City Charter High School (Charter School) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). We also evaluated the application of best practices in the area of school safety. Our audit covered the period September 8, 2014 through June 30, 2015, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2011 and June 30, 2012. 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 that the Charter School complied, in all significant respects, with relevant requirements and effectively applied best practices in the area stated above. However, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

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

Sincerely,

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

Eugene A. DePasquale
Auditor General

September 9, 2015

cc: **CITY CHARTER HIGH SCHOOL** Board of Trustees

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the City Charter High School (Charter School).

Our audit sought to answer certain questions regarding the Charter School's application of best practices and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period September 8, 2014 through June 30, 2015, 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 2010-11 and 2011-12 school years.

Charter School Background

The Charter School, located in Allegheny County, Pennsylvania, opened in September 2002. It was originally chartered on February 27, 2002, for a period of five years by the Pittsburgh City School District. The Charter School's mission states: "a technology infused public school, is to graduate students who are academically, technologically, personally and socially prepared to succeed in post-secondary education, training, or employment. Using a team approach, City High cultivates a safe, supportive and academically rigorous environment by recognizing and nurturing individual talents, needs and skills." During the 2014-15 school year, the Charter School provided educational services to 628 pupils from

15 sending school districts through the employment of 65 teachers, 23 full-time and part-time support personnel, and 5 administrators. The Charter School received \$7.5 million in tuition payments from school districts required to pay for their students attending the Charter School in the 2013-14 school year.

Academic Performance

The Charter School's academic performance as measured by its School Performance Profile (SPP) score was a 73.1 percent in the 2013-14 school year. SPP is the Pennsylvania Department of Education's (PDE) current method of providing a quantitative, academic score based upon a 100-point scale for all public schools. A score of 73.1 percent would be considered a C (70-79), if using a letter grade system. Weighted data factors included in the SPP score are indicators of academic achievement, indicators of closing the achievement gap, indicators of academic growth, and other academic indicators such as attendance and graduation rates.

Previously, the Charter School made Adequate Yearly Progress (AYP) for the 2012-13 school year. AYP was a key measure of school performance established by the federal No Child Left Behind Act (NCLB) of 2001 requiring that all students reach proficiency in Reading and Math by 2014. For a school to meet AYP measures, students in the school needed to meet goals or targets in three areas: (1) Attendance (for schools that did not have a graduating class) or Graduation (for schools that had a high school graduating class), (2) Academic

Performance, which was based on tested students' performance on the Pennsylvania System of School Assessment (PSSA), and (3) Test Participation, which was based on the number of students that participated in the PSSA. Schools were evaluated for test performance and test participation for all students in the tested grades (3-8 and 11) in the school. AYP measures determined whether a school was making sufficient annual progress towards statewide proficiency goals. On August 20, 2013, Pennsylvania was granted a waiver from the NCLB's requirement of achieving 100 percent proficiency in Reading and Math by 2014, so AYP measures were discontinued beginning with the 2012-13 school year.¹

Audit Conclusion and Results

Our audit found that the Charter School, in all significant respects, applied best practices and complied with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures. However, we identified one matter unrelated to compliance that is reported as an observation.

Observation: The Charter School Failed to Effectively Manage Costs Related to the Transportation of its Special Education Students and Thereby, Incurred Costs Exceeding \$239,000 Without Appropriate Contracts and Other Documentation. Our audit of the Charter School found that it failed to manage costs related to transportation services that were provided to students with special needs. In failing to procure cost-effective contracts for these services, the Charter School incurred transportation costs exceeding \$239,000 for the audit period (see page 12).

Status of Prior Audit Findings and Observations. This was our first audit of the Charter School. Therefore, there are no prior findings or observations.

¹ In February 2013, Pennsylvania was one of many states that applied for flexibility from NCLB standards, which was granted by the U.S. Department of Education on August 20, 2013. The waiver eliminates AYP for all public schools and replaces it with a federal accountability system specific to Title I schools only (those with a high percentage of low-income students), which identifies Title I schools as "Priority," "Focus," "Reward," or "No Designation" schools. Beginning in 2012-13, all public school buildings received a SPP score.

Background Information on Pennsylvania Charter Schools

Description of Pennsylvania Charter Schools:

Charter and cyber charter schools are taxpayer-funded public schools, just like traditional public schools. There is no additional cost to the student associated with attending a charter or cyber charter school. Charter and cyber charter schools operate free from many educational mandates, except for those concerning nondiscrimination, health and safety, and accountability.

Pennsylvania ranks high compared to other states in the number of charter schools:

According to the Center for Education Reform, Pennsylvania has the 7th highest charter school student enrollment, and the 10th largest number of operating charter schools, in the United States.

Source: "National Charter School and Enrollment Statistics 2010." October, 2010.

Pennsylvania Charter School Law

Pennsylvania's charter schools were established by the Charter School Law (CSL), enacted through Act 22 of 1997, as amended. In the preamble of the CSL, the General Assembly stated its intent to provide teachers, parents, students, and community members with the opportunity to establish schools that were independent of the existing school district structure.¹ In addition, the preamble provides that charter schools are intended to, among other things, improve student learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.²

The CSL permits the establishment of charter schools by a variety of persons and entities, including, among others, an individual; a parent or guardian of a student who will attend the school; any nonsectarian corporation not-for-profit; and any nonsectarian college, university or museum.³ Applications must be submitted to the local school board where the charter school will be located by November 15 of the school year preceding the school year in which the charter school will be established,⁴ and that board must hold at least one public hearing before approving or rejecting the application.⁵ If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,⁶ which is comprised of the Secretary of Education and six members appointed by the Governor with the consent of a majority of all of the members of the Senate.⁷

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A(a).

⁴ *Id.* § 17-1717-A(c).

⁵ *Id.* § 17-1717-A(d).

⁶ *Id.* § 17-1717-A(f).

⁷ 24 P.S. § 17-1721-A(a).

With certain exceptions for charter schools within the School District of Philadelphia, initial charters are valid for a period of no less than three years and no more than five years.⁸ After that, the local school board can choose to renew a school's charter every five years, based on a variety of information, such as the charter school's most recent annual report, financial audits, and standardized test scores. The board can immediately revoke a charter if the school has endangered the health and welfare of its students and/or faculty. However, under those circumstances, the board must hold a public hearing on the issue before it makes its final decision.⁹

Act 88 of 2002 amended the CSL to distinguish cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means, from brick-and-mortar charter schools that operate in buildings similar to school districts.¹⁰ Unlike brick-and-mortar charter schools, cyber charter schools must submit their application to PDE, which determines whether the application for a charter should be granted or denied.¹¹ However, if PDE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.¹² In addition, PDE is responsible for renewing and revoking the charters of cyber charter schools.¹³ Cyber charter schools that had their charter initially approved by a local school district prior to August 15, 2002, must seek renewal of their charter from PDE.¹⁴

Funding of Pennsylvania Charter Schools:

Brick-and-mortar charter schools and cyber charter schools are funded in the same manner, which is primarily through tuition payments made by school districts for students who have transferred to a charter or cyber charter school.

The CSL requires a school district to pay a per-pupil tuition rate for its students attending a charter or cyber charter school.

Pennsylvania Charter School Funding

The Commonwealth bases the funding for charter schools on the principle that the state's subsidies should follow the students, regardless of whether they choose to attend traditional public schools or charter schools. According to the CSL, the sending school district must pay the charter/cyber charter school a per-pupil tuition rate based on its own budgeted costs, minus specified expenditures,

⁸ 24 P.S. § 17-1720-A.

⁹ PDE, Basic Education Circular, "Charter Schools," Issued 10/1/2004.

¹⁰ 24 P.S. §§ 17-1703-A, 17-1741-A *et seq.*

¹¹ 24 P.S. § 17-1745-A(d).

¹² *Id.* § 17-1745-A(f)(4).

¹³ 24 P.S. § 17-1741-A(a)(3).

¹⁴ 24 P.S. § 17-1750-A(e).

for the prior school year.¹⁵ For special education students, the same funding formula applies, plus an additional per-pupil amount based upon the sending district's special education expenditures divided by a state determined percentage specific to the 1996-97 school year.¹⁶ The CSL also requires that charter schools bill each sending school district on a monthly basis for students attending the Charter School.¹⁷

Typically, charter schools provide educational services to students from multiple school districts throughout the Commonwealth. For example, a charter school may receive students from ten neighboring, but different, sending school districts. Moreover, students from numerous districts across Pennsylvania attend cyber charter schools.

Under the Public School Code of 1949 (PSC), as amended, the Commonwealth also pays a reimbursement to each sending school district with students attending a charter school that amounts to a mandatory percentage rate of total charter school costs.¹⁸ Commonwealth reimbursements for charter school costs are funded through an education appropriation in the state's annual budget. However, the enacted state budget for the 2011-12 fiscal year eliminated funding of the Charter School reimbursement previously paid to sending school districts.¹⁹

¹⁵ See 24 P.S. § 17-1725-A(a)(2).

¹⁶ See *Id.* §§ 17-1725-A(a)(3); 25-2509.5(k).

¹⁷ See 24 P.S. § 17-1725-A(a)(5).

¹⁸ See 24 P.S. § 25-2591.1. Please note that this provision is contained in the general funding provisions of the PSC and not in the CSL.

¹⁹ Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the PSC and states the following: "For the fiscal year 2003-2004 and each fiscal year thereafter, if insufficient funds are appropriated to make Commonwealth payments pursuant to this section, such payments shall be made on a pro rata basis." Therefore, it appears that state funding could be restored in future years.

Audit Scope, Objectives, and Methodology

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, PDE, and other concerned entities.

Our audit, conducted under the authority of Section 403 of The Fiscal Code, 72 P.S. § 403, is not a substitute for the local annual audit required by the PSC 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 8, 2014 through June 30, 2015. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 2010-11 and 2011-12 school years.

For the purposes of our audit work and to be consistent with 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, regulations, third-party studies, and best business practices. Our audit focused on assessing the Charter School's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit focused primarily on whether the Charter School was in compliance with the PSC²¹ and the CSL.²² More specifically, we sought to determine answers to the following questions, which serve as our audit objectives:

- ü Was the Charter School operating in compliance with accountability provisions included in the CSL specific to its approved charter and governance structure?

²¹ 24 P.S. § 1-101 *et seq.*

²² 24 P.S. § 17-1701-A *et seq.*

To address this objective:

- The auditors reviewed the approved charter and any amendments.
- In addition, the auditors reviewed board policies and procedures, IRS 990 forms for the 2010, 2011, 2012, and 2013 calendar years, and charter school annual reports for the 2011-12 and 2012-13 school years.

Ü Did the Charter School receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program administered by PDE, was its lease agreement approved by its Board of Trustees (Board), and did its lease process comply with the provisions of the Public Official and Employee Ethics Act (Ethics Act)?²³

- To address this objective, the auditors reviewed building ownership documentation, the lease agreement(s), lease payments, and the Charter School's lease documentation filed with PDE to obtain state reimbursement for the 2012-13 school year.

Ü Were the Charter School's Board and administrators free from apparent conflicts of interest and in compliance with the CSL, the PSC, the Ethics Act, and the Sunshine Act?

- To address this objective, the auditors reviewed Statements of Financial Interest for all board members and administrators, board meeting minutes, management company contract(s), and any known outside relationships with the Charter School and/or its authorizing school district for the period 2014-15 school year.

Ü Were at least 75 percent of the Charter School's teachers properly certified pursuant to Section 1724-A of the CSL, and did all of its non-certified teachers in core content subjects meet the "highly qualified

²³ 65 Pa.C.S. § 1101 *et seq.*

teacher” requirements under the federal NCLB of 2001?

- To address this objective, the auditors reviewed and evaluated certification documentation and teacher course schedules for all teachers and administrators for the period June 30, 2013 through January 26, 2015.

ü Did the Charter School require its non-certified professional employees to provide evidence that they are at least 18 years of age and a U.S. citizen pursuant to Section 1724-A(b) of the CSL and that they have a pre-employment medical examination certificate pursuant to Section 1418(a) of the PSC?

- To address this objective, the auditors reviewed personnel files and supporting documentation for all non-certified professional employees for the period June 30, 2013 through January 26, 2015.

ü Did the Charter School accurately report its membership numbers to PDE, and were its average daily membership accurate?

- To address this objective, the auditors reviewed the Charter School’s membership reports, instructional time summaries, entry/withdrawal procedures, and supporting documentation for the 2010-11 through 2011-12 school years.

ü Did the Charter School have sufficient internal controls to ensure that the membership data it reported to PDE through PIMS was complete, accurate, valid, and reliable for the most current year available?

To address this objective:

- The auditors randomly selected 10 out of 628 total registered students from the vendor software listing and verified that each child was appropriately registered with the Charter School.

- In addition, the auditor's selected one of two school terms reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template.
- Ü Did the Charter School take appropriate steps to ensure school safety, including maintaining a current Memorandum of Understanding (MOU) with local law enforcement?

To address this objective:

- The auditors reviewed a variety of documentation including MOU(s), safety plans, training schedules, anti-bullying policies, and after action reports to assess whether the Charter School is in compliance with relevant safe schools requirements in the PSC²⁴ and with best practices for ensuring school safety.
 - In addition, the auditors conducted an on-site review of the Charter School's building to assess whether it had implemented basic physical safety practices based on national best practices.
- Ü Did the Charter School have policies and procedures regarding the requirements to maintain student health records, perform required health services, and keep accurate documentation supporting its annual health services report filed with the Pennsylvania Department of Health to receive state reimbursement as required by law?²⁵
- To address this objective, the auditors reviewed the Charter School's annual health services reports and supporting documentation, policies and procedures regarding student health services, and

²⁴ 24 P.S. § 13-1301-A *et seq.*

²⁵ Article XIV, School Health Services, 24 P.S. § 14-1401 (2006), is applicable to charters and cyber charters in its entirety through its incorporation in 24 P.S. § 17-1732-A(a) and 24 P.S. § 17-1749-A(a)(1), respectively, of the CSL.

wellness policy for the 2010-11, 2011-12, and 2012-13 school years.

Ü Did the Charter School comply with the open enrollment and lottery provisions under Section 1723-A of the CSL?

- To address this objective, the auditors reviewed the approved Charter and any amendments, admission policies and procedures, wait lists, lottery results, and other supporting documentation for the 2011-12 through 2014-15 school years.

Ü Did the Charter School implement procedures over the transportation of special education students to ensure that expenses were reasonable?

- To address this objective, the auditors reviewed the pupil rosters for all students being transported to special education facilities for the 2011-12, 2012-13, 2013-14, and 2014-15 school years and compared the rosters to invoices from the bus company to determine the total transportation costs incurred by the Charter School.
- In addition, in an effort to determine the Charter School's controls over the transportation costs, the auditors requested fully executed contracts for the transportation services.

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 Charter School's management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Charter School is in compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). In conducting our

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.

audit, we obtained an understanding of the Charter School's internal controls, including any information technology controls, as they relate to the Charter School'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 controls 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.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, student health services, special education, lease agreements, open enrollment, and student enrollment.
- Items such as the approved Charter and any amendments, board meeting minutes, pupil membership records, IRS 990 forms, annual reports, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Findings and Observations

Observation

The Charter School Failed to Effectively Manage Costs Related to the Transportation of its Special Education Students and Thereby, Incurred Costs Exceeding \$239,000 Without Appropriate Contracts and Other Documentation

Criteria relevant to the observation:

Section 7123 (relating to Enrollment) of the CSL, 24 P.S. § 17-1723-A, provides, in part:

“(b)(1) A charter school shall not discriminate in its admission policies or practices on the basis of intellectual ability, except as provided in paragraph (2), or athletic ability, measures of achievement or aptitude, status as a person with a disability, proficiency in the English language or any other basis that would be illegal if used by a school district.”

Section 711.42 (relating to Transportation) of the State Board of Education’s regulations, 22 Pa. Code § 711.42, states, in part:

“(a) School districts shall provide transportation to students with disabilities eligible under IDEA [Individuals with Disabilities Education Act] and to protected handicapped students under Section 504, to the charter school in which they are enrolled, if the charter school is located in their school district of residence, a regional charter school of which the school district is a part or a charter school located outside district boundaries at a distance not exceeding ten miles by the nearest public highway. This includes transportation to an ESY [Extended School Year] program, if that program is held at the Charter School.”

We found that the Charter School failed to manage costs related to transportation services that were provided to students with special needs. In failing to procure cost-effective contracts for these services, the Charter School incurred transportation costs exceeding \$239,000 for the audit period. The costs are summarized in the chart below:

School Year	Students Transported	Form of Transportation	Total Amount Per Invoices
2011-12	1	Taxicab	\$23,504
2012-13	4	Bus Company	\$37,910
2013-14	5	Bus Company	\$92,456
2014-15	5	Bus Company	\$85,166
Total			\$239,036

During the 2011-12 school year, the Charter School, adhering to the nondiscrimination rule in the CSL, accepted a special education student into the Charter School (24 P.S. § 17-1723-A (relating to Enrollment)). However, soon after enrollment, the Charter School recognized that it could not provide the educational services required for that student. As a result, the Charter School entered into an agreement with a special education facility to provide the required educational services for that student.

During the 2011-12 school year, when the Charter School enrolled a student with special education needs, the Charter School attempted to coordinate transportation services from the student’s home to the special education facility. The Charter School contacted the student’s home district, which was Pittsburgh Public Schools, but the home district would

*Criteria relevant to the observation
(continued):*

“(b) Students with disabilities and Section 504 students may require modifications or accommodations for transportation to the charter school. Provision of modifications or accommodations, including specialized equipment and bus aides, in a student’s IEP [Individualized Education Plan] or Section 504 Service Agreement, are the obligation of the charter school.”

Section 15.1 (relating to Purpose) of the State Board of Education’s regulations, 22 Pa. Code § 15.1, states, in part:

“(b) Section 504 and its accompanying regulations protect otherwise qualified handicapped students who have physical, mental or health impairments from discrimination because of those impairments. The law and its regulations require public educational agencies to ensure that these students have equal opportunity to participate in the school program and extracurricular activities to the maximum extent appropriate to the ability of the protected handicapped student in question. School districts are required to provide these students with the aids, services and accommodations that are designed to meet the educational needs of protected handicapped students as adequately as the needs of non-handicapped students are met. These aids, services and accommodations may include, but are not limited to, special transportation, modified equipment, adjustments in the student’s roster or the administration of needed medication. For purposes of the chapter, students protected by Section 504 are defined and identified as protected handicapped students.”

not assist with the transportation of the student to the special education facility. As a result, the Charter School took responsibility for the student’s transportation needs; it paid a taxicab company \$23,504 to transport the student to the special education facility. The Charter School did not obtain a contract with the taxicab company, nor was there evidence that the taxicab costs were approved by the Charter School’s Board of Trustees.

In subsequent years, the Charter School did revisit the question of whether the home districts of special education students were responsible for transporting them to appropriate facilities when required. Pittsburgh Public Schools continues to not assist with the transportation of these students, and the Charter School continues to not effectively manage transportation costs. We have observed in other audits of school districts and charter schools that home districts typically coordinate and pay for such services. The Charter School instead coordinated these transportation services without implementing the appropriate procurement and authorization procedures, which could have helped the Charter School to minimize costs and maximize accountability.

During the 2012-13 through 2014-15 school years, the Charter School engaged the services of a bus company to provide transportation for its special education students. The annual costs ranged from a low of \$37,910 for transporting four students in 2012-13 to a high of \$92,456 for transporting five students in 2013-14. We requested a copy of the contract with the bus company, but the Charter School could not provide any evidence of a contract. The Charter School did, however, provide invoices to support payments made to the bus company for transporting the special education students. According to the bus company’s invoices, daily rates were charged for each student, but the invoices lacked the following:

- Evidence of how the daily rates were derived for each student.
- Documentation of the actual days that the bus company transported each student to a special education facility.

- Documentation of whether or not the Charter School was charged for transportation on days when one or more students may not have attended school.

Furthermore, there was no evidence of the Charter School reconciling the bus company's charges with the students' attendance records, nor was there evidence that these invoices were reviewed and approved by the Board.

We compared distances between each student's home and the special education facility and found no direct correlation between the daily rates applied to each student.

Recommendations

The *City Charter High School* should:

1. Consult with its solicitor and the Pittsburgh Public Schools, its home district, to determine who is responsible for providing transportation services for the Charter School's special education students. If it is then determined that the home district is responsible for providing transportation of the Charter School's special education students, the Charter School should develop procedures for providing timely notice to the home district of the transportation needs that are required. Otherwise, if the Charter School is responsible for providing transportation services for its special education students, then it should obtain cost-effective contracts containing clear and specific terms for the provision of such services. These contracts should be approved by the Charter School's Board prior to incurring related costs.
2. All invoices for transportation services should be supported by board-approved contracts. These invoices should contain sufficient details to allow the Charter School to reconcile charges with contracts as well as students' attendance records. All invoices should be reviewed and approved by the Charter School prior to payment.

Management Response

Management stated the following:

“Cause of the Problem:

Current School Code 24 P>S> 17-1702-A (sic), Section #8 ‘Transportation’ currently prevents an efficient use of public dollars to provide transportation services to charter school special education students that are educated in full day program outside of the charter school building (see quoted section): ‘However, the Department strongly recommends that, because school districts have the expertise and capacity to provide specialized transportation, school districts *should* provide the specialized transportation of students with disabilities and Section 504 students, if requested by the charter school, and bill the charter school for such modifications or accommodations above and beyond the normal costs of transportation.’

Recommendation #1.

City Charter High School did consult with its solicitor in the Fall of 2012, as well as the Pennsylvania Department of Education, to find regulatory language that would allow City High Charter students, who attend full day programs at special education schools as determine by their IEP, to be transported by their home school district and pay the associated costs as related service to the home school district. This is the most *efficient way to provide transportation for students who attend a single brick and mortar charter school within the boundaries of the authorizing school district.*

CCHS’s [City Charter High School] and the Pittsburgh Public School’s [PPS] solicitor determined, after extensive research concluded in the Fall of 2013, that PPS may provide this service if there was available space on existing runs that already transported students to these special education schools. This informal administrative agreement was reached in February of 2014 with attempts made to coordinate and pay for transportation services for these students on at least three occasions. The home school district was provided with the names and addresses of each student and the school to which they needed to be taken. However, on each occasion the Office of PPS Pupil

Transportation Services was not able to meet transportation needs of the students requiring this type of transport. CCHS contacted the Pittsburgh Public School District the week of 6-22-15 to facilitate transport for current returning special education students for the 2015-16 school year. PPS advised us that we were too early to make the request.

CCHS going forward, will bid special education transportation services for the 2015-16 school year and develop a contract with the lowest responsible bidder(s). We may split the contracts between multiple companies depending on the prices quoted for each needed bus run depending upon the number of students, home addresses and the destination schools. *However, it is unlikely that the quoted bid prices will be significantly lower due to the costs and operating structure of student transportation providers when bidding for and individual run from one school building.* The Board will be presented with the bid results by Administration and the lowest responsible bidder(s) will be recommended for Board approval.

Recommendation #2

All invoices will contain sufficient details to allow CCHS to reconcile transportation charges with contracts as well student attendance records. All invoices will be reviewed and approved by Administration for payment according to contract prior to payment.

Comment/Observation by CCHS.

If the State is interested in effectively controlling special education transportation costs for charter special education students attending full day programs at other special education centers/schools, the legislature NEEDS TO CHANGE THE WORDING IN THE ABOVE SECTION #8 FROM 'SHOULD' TO 'MUST'. Current regulation allow for inefficiencies to exist across the Commonwealth that are costing taxpayers millions of dollars on an annual basis.”

Auditor Conclusion

The Charter School was responsive and transparent in addressing our concerns and carefully reviewing its special education transportation procedures. We are pleased to see that the Charter School has begun implementing our recommendations.

Status of Prior Audit Findings and Observations

This is the first audit of the Charter School. Therefore, there are no prior audit findings or observations.

Distribution List

This report was initially distributed to the Chief Executive Officer of the Charter School, the Board of Trustees, and the following stakeholders:

The Honorable Tom W. Wolf

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Harrisburg, PA 17120

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The Honorable Timothy Reese

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