

GREEN WOODS CHARTER SCHOOL

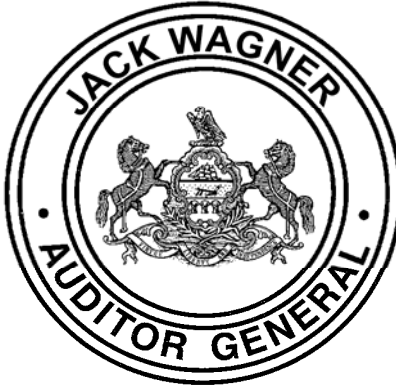
PHILADELPHIA COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDINGS AND RECOMMENDATIONS

THROUGH DECEMBER 7, 2007

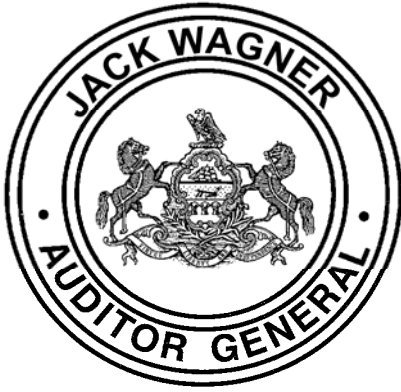


GREEN WOODS CHARTER SCHOOL
PHILADELPHIA COUNTY, PENNSYLVANIA
AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006
WITH FINDINGS AND RECOMMENDATIONS
THROUGH DECEMBER 7, 2007

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

Mr. Steven G. Tilney, Board President
Green Woods Charter School
8480 Hagy's Mill Road
Philadelphia, Pennsylvania 19128

Dear Governor Rendell and Mr. Tilney:

We have conducted a performance audit of the Green Woods Charter School for the years ended June 30, 2006, 2005 and 2004, and in certain areas extending beyond June 30, 2006. 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.

To plan and perform our audit of the Green Woods Charter School, we considered the school's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls, we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurances on the effectiveness of the school's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

The results of our tests indicated that, in all significant respects, the Green Woods Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following three findings.

Independent Auditor's Report (Continued)

The findings are discussed in detail in the Conclusion section of this report:

- Finding No. 1 – Inadequate Documentation to Support Pupil Membership Data
- Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Certain Charter School Personnel Failed to File Statements of Financial Interests at Some Time During the Audit Period
- Finding No. 3 – Failure to Obtain Memorandum of Understanding

We believe that our recommendations, if implemented by the charter school, will help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

Sincerely,

December 7, 2007

/s/
JACK WAGNER
Auditor General

cc: Mr. Kevin Godshall, Board Vice-President
Ms. Kim Birkmire, Board Secretary
Mrs. Joyce Clugston, Board Treasurer
Mrs. Joan Carr, Board of Trustees
Dr. Dawn Cute, Board of Trustees
Mr. Matthew McClure, Board of Trustees
Mr. Barry Sunshine, Board of Trustees
Mr. Thomas Schrand, Board of Trustees
Mrs. Jean M. Wallace, Academic Director/Chief Executive Officer

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

History of Charter Schools in Pennsylvania

Pennsylvania's charter schools were established by the Charter School Law (Law), enacted through Act 22 of 1997. In the preamble of the Law, the General Assembly stated its intent to provide teachers, parents, pupils, 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 pupil learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.²

The Law 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 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.⁷

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

¹ 24 P.S. § 17-1702-A.

² Id.

³ 24 P.S. § 17-1717-A (a).

⁴ 24 P.S. § 17-1717-A (c).

⁵ 24 P.S. § 17-1717-A (d).

⁶ 24 P.S. § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

⁸ 24 P.S. § 17-1720-A.

⁹ Pennsylvania Department of Education, Basic Education Circular, "Charter Schools," Issued 10/1/2004.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

History of Charter Schools in Pennsylvania (Continued)

Act 88 of 2002 amended the Law to allow for the establishment of cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means.¹⁰ Unlike charter schools, cyber charter schools must submit their application to the Department of Education (DE), which determines whether the application for charter should be granted or denied. However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board. In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.¹¹ As of September 14, 2007, there are 122 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.¹² According to DE, nearly 50,000 children are enrolled in these schools.¹³

¹⁰ 24 P.S. § 17-1703-A.

¹¹ 24 P.S. § 17-1745-A (a), (f).

¹² DE expects the total number of charter schools to increase by five to seven for the 2007-08 school year based on new charter school applications pending final approval.

¹³ Department of Education Web site at http://www.pde.state.pa.us/charter_schools/site/default.asp.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Green Woods Charter School, located in Philadelphia County, opened in September of 2002. The Green Woods Charter School was originally chartered on August 7, 2002 for a period of five years by the Philadelphia School District.

According to the charter school's mission statement, the Green Woods Charter School seeks to provide children in grades K through 8 living in the Northwest section of the City of Philadelphia with the opportunity to be active, knowledgeable and conscientious young investigators by fostering a keen understanding of the interrelatedness and interdependence of our global existence, considering only the boundaries of safety and ethical behavior while participating in Project Based Learning.

During the year ended June 30, 2006, the Green Woods Charter School provided educational services to 185 students from 2 sending school districts through the employment of 4 administrators, 13 teachers, and 6 full-time and part-time support personnel. The charter school also provided educational services to 175 students during the 2004-05 school year, and 163 students from the Philadelphia School District during the 2004-05 and 2003-04 school years, respectively.

Expenditures for the school years¹⁴ 2005-06, 2004-05 and 2003-04 were \$1,762,684, \$1,584,677 and \$1,421,605, respectively. Revenues of \$1,826,342, \$1,589,579 and \$1,320,159 supporting these expenditures were derived from local, state, and federal sources for the 2005-06, 2004-05 and 2003-04 school years, respectively (see Summary of Charter School Revenue, page 7). State revenue was received in the form of reimbursements for rental and sinking fund¹⁵ payments, health services, Social Security and Medicare Taxes, and retirement obligations (see Appendix III Schedule of State Revenue, page 21).

¹⁴ A "school year" is synonymous to a "fiscal year" and covers the time period from July 1st to June 30th.

¹⁵ A "sinking fund" is an account established to repay monies that were borrowed through a bond issue.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background (Continued)

The charter school derives the majority of its operating revenue from the school districts whose students attend the charter school. These sending school districts are required by Section 1725-A of the Charter School Law¹⁶ and instructions from the Department of Education to provide the charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,¹⁷ based upon the school districts’ general fund budgeted expenditures and average daily membership (ADM) for the immediately preceding school year. (ADM refers to the number of days each student is enrolled at the charter school or school district over the course of the school year divided by the number of days the school was in session. This average is used to calculate various subsidies and reimbursements for school districts and charter schools.) This funding calculation is to be paid to the charter school by the sending school districts, based on the actual ADM of their students who attend the charter school (see Appendix I Schedule of Local Revenue, page 19).

¹⁶ 24 P.S. § 17-1725-A.

¹⁷ Charter schools receive additional funding for special education students as calculated on the basis of 24 P.S. § 17-1725-A(a)(3).

GREEN WOODS CHARTER SCHOOL
 PERFORMANCE AUDIT REPORT
 BACKGROUND

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

<u>CHARTER SCHOOL REVENUES</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Revenue*	\$1,588,466	\$1,368,767	\$1,094,742
Federal Revenue	128,879	102,363	185,715
State Revenue	108,997	92,665	39,702
Other Financing Sources	<u>-</u>	<u>25,784</u>	<u>-</u>
<u>TOTAL REVENUE</u>	<u>\$1,826,342</u>	<u>\$1,589,579</u>	<u>\$1,320,159</u>

*Local revenue represents both local and state taxpayer dollars paid through the sending school district.

Note: Refer to Appendices on pages 19 through 21 for support schedules of all dollar figures.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE AND SCOPE

The objective of our audit was to determine if the Green Woods Charter School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures pertaining to charter schools in Pennsylvania. The objectives included in our audit of the Green Woods Charter School were:

- to determine overall compliance with the Public School Code of 1949¹⁸ (Code) and the Charter School Law (Law);¹⁹
- to determine whether at least 75 percent of the charter school's professional staff members, including teachers and administrators, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;²⁰
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,²¹ to which charter schools are made subject by Section 1724-A(b) of the Law,²² requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- to determine whether the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;²³
- to verify membership numbers reported to DE and determine whether ADM and tuition billings were accurate;

¹⁸ 24 P.S. § 1-101 *et seq.*

¹⁹ 24 P.S. § 17-1701-A *et seq.*

²⁰ 24 P.S. § 17-1724-A(a).

²¹ 24 P.S. §§ 11-1109 and 12-1209.

²² 24 P.S. § 17-1724-A(b).

²³ 24 P.S. § 17-1715-A(9).

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE AND SCOPE (Continued)

- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code²⁴ and Chapter 11 of the State Board of Education Regulations²⁵ (Regulations) and, if not, whether the charter school removed days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to Section 11.24 of the Regulations;²⁶
- to determine whether each of the charter school's trustees and administrators and each of the school board members of the host school district complied with the Code and the Public Official and Employee Ethics Act²⁷ (Ethics Act) by filing their Statement of Financial Interests Forms and to determine whether any violations of the Ethics Act occurred or any potential conflicts of interests exist;
- to determine whether the charter school complied with Section 1303-A of the Code²⁸ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- to determine whether the charter school is in compliance with Section 1724-A(c) of the Law²⁹ requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the charter school application unless the board of trustees has a retirement plan that covers the employees or the employees are enrolled in another retirement program; and
- to determine whether the charter school is in compliance with Section 1728-A of the Law³⁰ requiring each charter school to assess whether it is meeting the goals of its charter and to submit a report of its assessment to DE no later than August 1 of each year.

Unless otherwise indicated, the scope of our audit covered the years ended June 30, 2006, 2005 and 2004.

²⁴ 24 P.S. § 13-1327 (Charter schools are subject to the compulsory school attendance requirements of the Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).)

²⁵ 22 Pa. Code, Chapter 11.

²⁶ 22 Pa. Code § 11.24.

²⁷ 65 Pa.C.S. § 1101 *et seq.*

²⁸ 24 P.S. § 13-1303-A(c).

²⁹ 24 P.S. § 17-1724-A(c).

³⁰ 24 P.S. § 17-1728-A.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVE, SCOPE AND METHODOLOGY

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit required by the Public School Code.

The proper administration of a charter school requires its board of trustees to establish and maintain internal controls to provide reasonable assurances that specific charter school objectives will be achieved. Charter school trustees are responsible for the adoption and use of policies and procedures that promote the economical and efficient execution of its assigned duties and responsibilities. In completing our audit, we obtained an understanding of the charter school's internal controls as they relate to the charter school's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION

The results of our tests indicate that, with respect to the audit objectives and items tested, the Green Woods Charter School complied with some of the applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. For example, we determined that Green Woods Charter School met the following provisions:

- the charter school demonstrated that at least 75 percent of the charter school's professional staff members, including administrators and teachers, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;³¹
- the charter school complied with Sections 1109 and 1209 of the Code,³² to which charter schools are made subject by Section 1724-A(b) of the Law,³³ requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code³⁴ and Chapter 11 of the State Board of Education Regulations;³⁵
- the charter school is in compliance with Section 1724-A(c) of the Law³⁶ requiring that all employees be enrolled in the Public School Employees' Retirement System unless at the time of filing the charter school application the sponsoring school district or the board of trustees of the charter school has a retirement plan that covers the employees or the employees are currently enrolled in another retirement program; and

³¹ 24 P.S. § 17-1724-A(a).

³² 24 P.S. §§ 11-1109 and 12-1209.

³³ 24 P.S. § 17-1724-A(b).

³⁴ 24 P.S. § 13-1327; Please note that charter schools are subject to the compulsory school attendance requirements of the Public School Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).

³⁵ 22 Pa. Code, Chapter 11.

³⁶ 24 P.S. § 17-1724-A(c).

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION (Continued)

- the charter school submitted its annual reports assessing whether or not it met the goals of its charter to DE as required by Section 1728-A of the Law.³⁷

However, we determined that the Green Woods Charter School did not comply with other applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, as noted in the three findings listed below. The findings and recommendations were reviewed with representatives of the Green Woods Charter School, and their comments have been included in this report.

Finding No. 1 – Inadequate Documentation to Support Pupil Membership Data

Our audit of child accounting records for the 2005-06, 2004-05 and 2003-04 school years of audit found that the charter school did not retain documentation to support membership data reported to Department of Education (DE) for all years of audit.

Charter school personnel were unable to provide detailed reports to support membership days reported to DE for all grades. Moreover, school personnel were unable to determine where the documentation used to generate the reported data was stored. As a result, we were unable to:

- determine whether the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;³⁸ and
- verify membership days reported to DE and determine whether average daily membership (ADM) and tuition billings were accurate.

Section 518 of the Public School Code³⁹ requires that records be retained for a period of not less than six years. DE guidelines and instructions require the maintenance and retention of adequate documentation to verify the school's entitlement to state payments. Failure to maintain and retain this documentation could result in the loss of state funding.

The charter school did not have written procedures for the child accounting function, which are necessary for effective management. In addition, written procedures should be maintained for other personnel in the event of employee turnover.

³⁷ 24 P.S. § 17-1728-A.

³⁸ 24 P.S. § 17-1715-A(9).

³⁹ 24 P.S. § 5-518. Please note that charter schools are subject to the retention of records requirements of the Public School Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Recommendations

Charter school personnel should:

- strengthen internal controls for obtaining, recording, and reviewing data prior to submission of reports to DE;
- develop and implement procedures to ensure supporting documentation for data reported to DE is available for audit;
- maintain original computer printouts supporting reports submitted to DE for audit purposes; and
- establish written procedures for the child accounting function.

Response of Management

Management provided the following response disagreeing with our finding:

During its relatively short existence, Green Woods has endeavored to ensure that the operation and management of the School complied with all applicable laws and regulations, including maintenance of pupil membership data. The “finding title” alleging that the School maintained inadequate documentation during its first few years of existence does not reflect the significant strides that the School has made to manage and maintain required documentation. With respect to Green Woods, the finding of an alleged weakness in this area is indicative only of the School being in its initial, formative years and must not presume, infer, or suggest any intentional wrongdoing on behalf of the School. Rather, the School has continued to improve its document management systems and believes that its current system maintains the foregoing documentation in an appropriate and accessible manner.

Auditor’s Conclusion

It is not our intent to suggest any intentional wrongdoing by the school, nor do we conclude that the membership numbers reported to DE or the ADM and tuition billings were inaccurate. Our concern, as stated in the body of the finding, is that we were unable to determine the accuracy of the data as a result of the charter school not retaining supporting documentation for the years under audit.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Certain Charter School Personnel Failed to File Statements of Financial Interests at Some Time During the Audit Period

Our audit of charter school records of Statements of Financial Interests for the calendar years ended December 31, 2006, 2005, 2004, and 2003 found that various board members and charter school administrators failed to file Statements of Financial Interests during our audit period, as follows:

- for 2006, the chief executive officer (CEO);
- for 2005, four board members, including the president, as well as the CEO, the chief administrative officer (CAO) and a principal;
- for 2004, nine board members, including the president, secretary and treasurer, as well as the CEO and two CAOs; and
- for 2003, six board members, including the vice president and secretary, and the principal.

The following chart below provides a summary of this information.

**Statement of Financial Interests Summary Chart
For the Calendar Years Ended December 31, 2006, 2005, 2004, and 2003**

<u>Position</u>	<u>Number of Individuals Who Failed to File Statements of Financial Interests</u>
Board President	1
Board Treasurer	1
Board Secretary	1
Board Vice President	1
CEO	1
CAO	2
Principal	2
Board member-at-large	10

Of the Statements of Financial Interests that were on file for the audit period, we found no evidence of potential conflicts of interests.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), requires all candidates for public office, public officials and certain public employees to annually complete a Statement of Financial Interests for the preceding calendar year, no later than May 1st of each year they hold their positions and the year after leaving such positions.⁴⁰

⁴⁰ 65 Pa.C.S. § 1101 *et seq.*

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, a board members' failure to file the Statement of Financial Interests constitutes a violation of the Ethics Act.

For example, Section 1104(d) of the Ethics Act, which pertains to the failure to file the required Statement of Financial Interests, provides, in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .⁴¹

Likewise, Section 1109(b) of the Ethics Act provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.⁴²

Finally, Section 1109(f) of the Ethics Act provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.⁴³

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation, as it deems necessary.

Recommendations

The board of trustees should:

- seek the advice of its solicitor in regard to the board of trustees' responsibility when administrators and members fail to file a Statement of Financial Interests; and

⁴¹ 65 Pa.C.S. § 1104(d).

⁴² 65 Pa.C.S. § 1109(b).

⁴³ 65 Pa.C.S. § 1109(f).

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Finding No. 2 (Continued)

Response of Management

Management provided the following response disagreeing with the finding:

During its relatively short existence, Green Woods has endeavored to ensure that the operation and management of the School complied with all applicable laws and regulations, including maintenance of records reflecting that certain officials filed their statements of financial interest. The finding that the School failed to maintain this documentation during its first few years of existence does not reflect the significant strides the School has made to manage and maintain required documentation. Indeed, the finding does not represent a determination that the individuals at issue did not file said statements. With respect to Green Woods, finding a weakness in this area is indicative only of the School being in its initial, formative years, and must not presume, infer, or suggest any intentional wrongdoing on behalf of the School. Moreover, during this time, several different individuals were responsible for maintaining these records and it is believed that they were improperly filed in the shuffle. The School has continued to improve its document management systems and believes that its current system maintains the foregoing documentation in an accessible manner.

At this juncture, all current board members and school officials, who are subject to the Ethics Act, have filed their statements of Financial Interest. The School is also in the process of updating these records by contacting former board members and employees to complete and return new forms.

Auditor's Conclusion

It is not our intent to suggest any intentional wrongdoing by the school. Our concern, as stated in the body of the finding, is that the school could not produce the required Statements of Financial Interests for the individuals cited.

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 3 – Failure to Obtain Memorandum of Understanding

Our review of the school’s records found that the charter school does not have a Memorandum of Understanding (MOU) with the police department serving the charter school, the Philadelphia Police Department.

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

All school entities shall develop a memorandum of understanding with local law enforcement that 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.⁴⁴

Additionally, the Basic Education Circular issued by DE 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. (Emphasis added)

The failure to obtain and periodically update a 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 when 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 internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The charter school’s board and charter school administrators, in consultation with the charter school’s solicitor and the local law enforcement agency, should develop and obtain a current MOU between the charter school and the Philadelphia Police Department.

Additionally, the school’s board should adopt a policy requiring the administration to review and re-execute the MOU every two years.

⁴⁴24 P.S. § 13-1303-A(c).

GREEN WOODS CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

Response of Management

Management provided the following response disagreeing with the finding:

Green Woods disagrees with the finding that it failed to obtain “memorandums of understanding” with the local law agency. The School was not aware of its obligation to comply with this requirement. In fact, a press release dated May 23, 2007, on the Auditor General’s own website, indicated that charter and cyber-charter schools were not required to engage in such agreements with local law agencies.

Green Woods, of course, is not opposed to entering into such an arrangement as it agrees it is a good practice. However, according to the recent information the School has received from the Philadelphia police department and a communication from the Auditor’s legal department, the Philadelphia police department is currently unwilling to enter into such agreements. Consequently, Green Woods is unable to comply with this stated requirement.

For these reasons, Green Woods strongly objects to this finding.

Auditor’s Conclusion

Subsequent to the date of the press release referred to in management’s response, we determined that Section 1732-A(a) of the Law (24 P.S. § 17-1732-A(a)) provides that charter schools are subject to 24 P.S. § 13-1303-A(c), which requires the MOUs. Therefore, it is our position that MOUs are required for all charter and cyber charter schools. Even if the press release referenced by the school constituted advice, which it did not, it would not explain the school’s failure to enter into an MOU before the date of the release.

While the charter school is correct that, at one time, the Philadelphia Police Department indicated that it was unwilling to enter into such agreements, our department sent a communication to the Philadelphia Police Department detailing the requirements of the law. The Philadelphia Police Department subsequently agreed with our position, and will now enter into MOUs with charter and cyber charter schools.

GREEN WOODS CHARTER SCHOOL
APPENDIX I

[UNAUDITED]

Schedule of Local Revenue

The charter school reported local revenue for the years ended June 30, 2006, 2005 and 2004 as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>LOCAL REVENUE</u>			
Earnings on Investments	\$ 338	\$ 167	\$ 291
Student Activities	1,341	41,410	12,422
Contributions and Donations from Private Sources	-	-	650
Philadelphia Electric Company Grant	25,148	-	-
Watershed Grant	3,000	-	-
Miscellaneous	-	415	-
Payments from Sending School Districts:			
Philadelphia	1,551,918	1,326,775	1,081,379
Springfield Township	6,721	-	-
	<u>1,588,466</u>	<u>1,368,767</u>	<u>\$1,094,742</u>
<u>TOTAL LOCAL REVENUE</u>			

GREEN WOODS CHARTER SCHOOL
APPENDIX II

[UNAUDITED]

Schedule of Federal Revenue

The charter school reported federal revenue of \$128,879, \$102,363 and \$185,715, respectively, for the school fiscal years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>FEDERAL REVENUE</u>			
NCLB (1), Title 1, Improving the Academic Achievement of the Disadvantaged	\$115,967	\$ 96,383	\$ 69,551
NCLB (1), Title II, Preparation/Training/Recruitment HQ Teachers/Principal	12,568	5,720	10,681
NCLB (1), Title V, Promoting Informed Parental Choice and Innovative Programs	<u>344</u>	<u>260</u>	<u>105,483</u>
<u>TOTAL FEDERAL REVENUE</u>	<u>\$128,879</u>	<u>\$102,363</u>	<u>\$185,715</u>

GREEN WOODS CHARTER SCHOOL
APPENDIX III

[UNAUDITED]

Schedule of State Revenue

The charter school reported state revenue of \$108,997, \$92,665 and \$39,702, respectively, for the school fiscal years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>STATE REVENUE</u>			
Rental and Sinking Fund Payments	\$ 22,542	\$31,708	\$ -
Health Services	3,054	2,767	-
Social Security and Medicare Taxes	45,955	44,009	37,085
Retirement	27,453	14,181	2,617
Department of Environmental Protection Grant	<u>9,993</u>	<u>-</u>	<u>-</u>
<u>TOTAL STATE REVENUE</u>	<u>\$108,997</u>	<u>\$92,665</u>	<u>\$39,702</u>

GREEN WOODS CHARTER SCHOOL
APPENDIX IV

Description of State Revenue (Source: Pennsylvania Accounting Manual)

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved charter school debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

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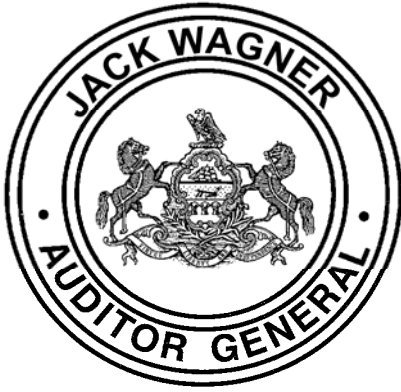
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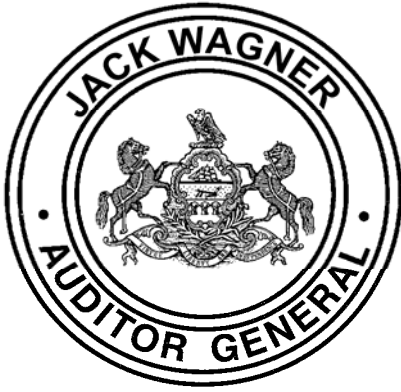
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