

WONDERLAND CHARTER SCHOOL  
CENTRE COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

MAY 2011



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

Mrs. Michelle L. Schafer, Board President  
Wonderland Charter School  
2112 Sandy Drive  
State College, Pennsylvania 16803

Dear Governor Corbett and Mrs. Schafer:

We conducted a performance audit of the Wonderland Charter School (WCS) to determine its compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit covered the period July 1, 2008 through December 2, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010 and June 30, 2009. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the WCS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

We appreciate the WCS's cooperation during the conduct of the audit.

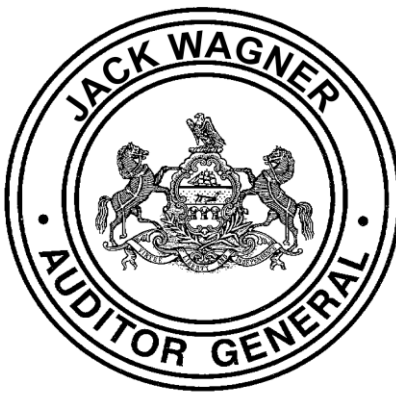
Sincerely,

/s/

JACK WAGNER  
Auditor General

May 26, 2011

cc: **WONDERLAND CHARTER SCHOOL** Board of Trustees



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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 Wonderland Charter School (WCS). Our audit sought to answer certain questions regarding the School's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period July 1, 2008 through December 2, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2009-10 and 2008-09.

### **WCS School Background**

The WCS, located in Centre County, opened in September 1999. It was originally chartered on August 27, 1999, for a period of five years by the Charter School Appeal Board. The WCS's most recent charter renewal was authorized by the State College Area School District for a five-year period from 2008-09 through 2012-13 school years. According to its mission statement, WCS is a public school that serves the needs of the children within Centre County. WCS's vision is to meet each child's needs educationally, emotionally, and socially before they enter first grade with an educational model that identifies in detail each child's strengths and weaknesses. WCS's identification results are integrated into a specialized curriculum geared to each child's specific needs with a Differentiated Educational Plan. At the end of the school

year, WCS seeks to produce a child whose self-esteem is bolstered and has a solid foundation for future schooling.

During the 2009-10 school year, the WCS provided educational services to 36 pupils from 4 sending school districts through the employment of 4 teachers and 1 administrator. Lastly, the WCS received more than \$6 thousand in state funding in school year 2009-10.

The WCS is kindergarten only, therefore Average Yearly Progress is not applicable.

### **Audit Conclusion and Results**

Our audit found that the WCS complied, in all significant respects, with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. We report no findings or observations in this report.

**Status of Prior Audit Findings and Observations.** Since this is the first audit of WCS, we do not have a status to report.

## Background Information on Pennsylvania Charter Schools

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### *Description of Pennsylvania Charter Schools:*

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

### Pennsylvania Charter School Law

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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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,<sup>4</sup> and that board must hold at least one public hearing before approving or rejecting the application.<sup>5</sup> If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,<sup>6</sup> which is comprised of the Secretary of Education and six members appointed by the Governor.<sup>7</sup>

Initial charters are valid for a period of no less than three years and no more than five years.<sup>8</sup> 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

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<sup>1</sup> 24 P.S. § 17-1702-A.

<sup>2</sup> Id.

<sup>3</sup> 24 P.S. § 17-1717-A (a).

<sup>4</sup> 24 P.S. § 17-1717-A (c).

<sup>5</sup> 24 P.S. § 17-1717-A (d).

<sup>6</sup> 24 P.S. § 17-1717-A (f).

<sup>7</sup> 24 P.S. § 17-1721-A (a).

<sup>8</sup> 24 P.S. § 17-1720-A.



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

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

Source: “*The Accountability Report 2009: Charter Schools.*” February 2009.

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.<sup>9</sup>

### **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 Charter School Law, 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, for the prior school year.<sup>10</sup> 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.<sup>11</sup> The Charter School Law also requires that charter schools bill each sending school district on a monthly basis for students attending the charter school.<sup>12</sup>

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.

The Commonwealth also pays a reimbursement to each school district with students attending a charter school. This reimbursement is a mandatory percentage rate set by the Public School Code of 1949, as amended, of total charter school costs incurred by a sending school district.<sup>13</sup> Commonwealth reimbursements for charter school costs are funded through an education appropriation in the state’s annual budget.

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<sup>9</sup> Pennsylvania Department of Education, Basic Education Circular, “Charter Schools,” Issued 10/1/2004.

<sup>10</sup> See 24 P.S. § 17-1725-A.

<sup>11</sup> See 24 P.S. § 25-2509.5(k).

<sup>12</sup> See 24 P.S. § 17-1725-A(a)(5).

<sup>13</sup> See 24 P.S. § 25-2591.1. Please note that this provision is contained in the general funding provisions of the Public School Code and not in the Charter School Law.

## Audit Scope, Objectives, and Methodology

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### Scope

*What is a school performance audit?*

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

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

Our audit covered the period July 1, 2008 through December 2, 2010, except for the verification of professional employee certification which was performed for the period July 1, 2009 through June 30, 2010.

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

For the purposes of our audit work and to be consistent with Department of Education (DE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

### Objectives

*What is the difference between a finding and an observation?*

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

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

- ✓ Was the charter school in overall compliance with the Public School Code of 1949<sup>14</sup> (Code) and the Charter School Law (Law)?<sup>15</sup>
- ✓ Did the charter school have policies and procedures regarding the requirements to maintain student health records and perform required health services, and keep accurate documentation supporting its annual health

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<sup>14</sup> 24 P.S. § 1-101 *et seq.*

<sup>15</sup> 24 P.S. § 17-1701-A *et seq.*

services report filed with the Department of Health to receive state reimbursement?

- ✓ Did the charter school receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program, was its lease agreement approved by the Board of trustees, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?
- ✓ Did the charter school comply with the open enrollment and lottery provisions of the Charter School Law?
- ✓ Does the charter school provide the services required for its special education students through outside agencies and/or through properly certified professional staff with the required instructional hours and/or training?
- ✓ Did the charter school board of trustees and administrators, and the chartering school board members comply with the Public School Code, the Public Official and Employee Ethics Act, and the Sunshine Act?
- ✓ Were at least 75 percent of the charter school's teachers properly certified and did all of its noncertified teachers meet the "highly qualified teacher" requirements as of the end of the 2005-06 school year?
- ✓ Did the charter school require its noncertified professional employees to provide evidence that they are at least 18 years of age, a U.S. citizen, and 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?
- ✓ Did the charter school accurately report its membership numbers to DE and were its average daily membership and tuition billings accurate?

- ✓ Did the charter school comply with the law's compulsory attendance provisions and, if not, did the charter school remove days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to the regulations?<sup>16</sup>
- ✓ Was the charter school taking appropriate steps to ensure school safety?
- ✓ Did the charter school require that all of its employees enroll in the Public School Employees' Retirement System at the time of filing its charter school application, unless the board of trustees had a retirement plan that covered the employees or the employees were already enrolled in another retirement program?
- ✓ Did the charter school use an outside vendor to maintain its membership data, and if so, are there internal controls in place related to vendor access?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?

## Methodology

### *What are internal controls?*

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

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

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

WCS management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the charter school is in compliance with applicable laws, regulations, contracts, grant requirements, and administrative procedures. Within the context of our audit objectives, we obtained an understanding of internal controls and assessed whether those controls were properly designed and implemented.

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<sup>16</sup> 22 Pa. Code § 11.24.

Any significant deficiencies found during the audit 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, vendor contracts, and student enrollment.
- Items such as Board meeting minutes, pupil membership records, IRS 990 forms, and reimbursement applications.
- Tuition receipts and deposited state funds.

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



## **Findings and Observations**

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For the audited period, our audit of the Wonderland Charter School resulted in no findings or observations.

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

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Since this is the first audit of Wonderland Charter School, we do not have a status to report.



## **Distribution List**

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This report was initially distributed to the chief executive officer of the charter school, the charter school board of trustees, our website address at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following:

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