

# PERFORMANCE AUDIT

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## Erie R.I.S.E. Leadership Academy Charter School Erie County, Pennsylvania

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September 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

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

Mrs. Constance Ratcliff, Board President  
Erie R.I.S.E. Leadership Academy Charter School  
2501 Plum Street  
Erie, Pennsylvania 16502

Dear Governor Corbett and Mrs. Ratcliff:

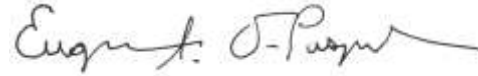
We conducted a performance audit of the Erie R.I.S.E. Leadership Academy Charter School (Charter School) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). Our audit covered the period January 28, 2014 through March 27, 2014, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school year ended 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 significant noncompliance with relevant requirements, as detailed in the three (3) findings within this report. In addition, this noncompliance resulted in the issuance of an Interim Report on March 28, 2014. Two (2) issues cited in the Interim Report have been expounded upon for submission to the Public School Employees' Retirement System and the State Ethics Commission. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings 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 appreciate the Charter School's cooperation during the conduct of the audit and its willingness to implement our recommendations.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale  
Auditor General

September 9, 2014

cc: **ERIE R.I.S.E. LEADERSHIP ACADEMY 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 Erie R.I.S.E. Leadership Academy Charter School (Charter School) in Erie County. Our audit sought to answer certain questions regarding the Charter School's compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period January 28, 2014 through March 27, 2014, 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 2011-12 school year.

### **Charter School Background**

The Charter School, located in Erie County, Pennsylvania, opened in July 2011. It was originally chartered on March 31, 2011, for a period of three (3) years by the City of Erie School District. The Charter School's mission states: "The mission of the Erie R.I.S.E. Leadership Academy Charter School is to provide students with a gender-based academic achievement environment of excellence that encourages a love for learning. Our school will promote excellence in staff, curricula, technology, wellness, global leadership development, world language, life skills, family involvement, and community partnerships. We will prepare our students to be culturally literate members of society by providing a solid back-to-basics education in an environment that encourages innovation and creativity in teaching, fosters a sense of

responsibility to the community and environment and promotes equality and acceptance." During the 2011-12 school year, the Charter School provided educational services to 188 students from three (3) sending school districts. The Charter School received approximately \$1.5 million in tuition payments from school districts required to pay for their students attending the Charter School in the 2011-12 school year.

### **Academic Performance**

The Charter School's academic performance is considered failing, as demonstrated by its low School Performance Profile (SPP) score of 58.4 for the 2012-13 school year. SPP is the Pennsylvania Department of Education's current method of providing a quantitative, academic score based upon a 100-point scale for all public schools. A score of 58.4 would be considered a "D" 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 did not make Adequate Yearly Progress (AYP) for the 2011-12 school year and was in an AYP warning status.

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 do not have a graduating class) or Graduation (for schools that have a high school graduating class), (2) Academic Performance, which is based on tested students' performance on the Pennsylvania System of School Assessment (PSSA), and (3) Test Participation, which is based on the number of students that participate 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.

### **Audit Conclusion and Results**

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, which resulted in the issuance of an Interim Report on March 28, 2014. Two (2) issues identified in the Interim Report have been expounded upon in Finding No. 2 and Finding No. 3.

**Finding No. 1: A Lack of Appropriate Internal Controls Prevented the Board of Trustees from Effectively Overseeing the Charter School's Operations.** Our audit found that the Erie R.I.S.E. Leadership Academy Charter School's (Charter School) Board of Trustees (Board) does not properly meet its fundamental governance requirements under the Charter School Law (CSL). As a result, the Charter School failed to meet its educational mission, often failed to comply with the terms of its charter and/or applicable laws and regulations, and lacked basic documentation to comply with other relevant requirements. Additionally, the Board delegated the Charter School's operations to the Chief Executive Officer

and a for-profit financial consulting company. This action was inconsistent with the CSL because the Board did not maintain proper control over the Charter School's operations (see page 10).

**Finding No. 2: PSERS and SERS Annuitants Hired by Charter School.** The Public School Employees' Retirement System (PSERS) is responsible for ensuring that any post-retirement employment is in compliance with the Internal Revenue Retirement Code, which specifically states that an individual cannot work for the same company that provides them with an annuity. Our audit found that since July 1, 2011, the Erie R.I.S.E. Leadership Academy Charter School employed at least four (4) annuitants from PSERS and one (1) from the State Employees Retirement System (see page 21).

**Finding No. 3: Failure to Complete and File Statement of Financial Interests and Possible Conflicts of Interest.** Our review found that the Erie R.I.S.E. Leadership Academy Charter School (Charter School) had missing and incomplete Statements of Financial Interest (SFIs) for the calendar years 2011 and 2012. Specifically, the Charter School administrators and Board of Trustees failed to file SFIs, as required by the Public Official and Employee Ethics Act (see page 25).

**Status of Prior Audit Findings and Observations.** There was no prior audit report for this audit. Therefore, there are no prior audit findings or observations.

## Background Information on Pennsylvania Charter Schools

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### *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 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: "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.<sup>1</sup> 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.<sup>2</sup>

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.<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 (1) 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 (6) members appointed by the Governor with the consent of a majority of all of the members of the Senate.<sup>7</sup>

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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> *Id.* § 17-1717-A (c).

<sup>5</sup> *Id.* § 17-1717-A (d).

<sup>6</sup> *Id.* § 17-1717-A (f).

<sup>7</sup> 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 (3) years and no more than five (5) years.<sup>8</sup> After that, the local school board can choose to renew a school's charter every five (5) 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.<sup>9</sup>

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.<sup>10</sup> Unlike brick-and-mortar charter schools, cyber charter schools must submit their application to the Pennsylvania Department of Education (PDE), which determines whether the application for a charter should be granted or denied.<sup>11</sup> However, if PDE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.<sup>12</sup> In addition, PDE is responsible for renewing and revoking the charters of cyber charter schools.<sup>13</sup> 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.<sup>14</sup>

*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 Charter School Law 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,

<sup>8</sup> 24 P.S. § 17-1720-A.

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

<sup>10</sup> 24 P.S. §§ 17-1703-A, 17-1741-A *et seq.*

<sup>11</sup> 24 P.S. § 17-1745-A(d).

<sup>12</sup> *Id.* § 17-1745-A(f)(4).

<sup>13</sup> 24 P.S. § 17-1741-A(a)(3).

<sup>14</sup> 24 P.S. § 17-1750-A(e).



for the prior school year.<sup>15</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>16</sup> The CSL also requires that charter schools bill each sending school district on a monthly basis for students attending the Charter School.<sup>17</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 (10) neighboring, but different, sending school districts. Moreover, students from numerous districts across Pennsylvania attend cyber charter schools.

Under the Public School Code of 1949, 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.<sup>18</sup> 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.<sup>19</sup>

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<sup>15</sup> See 24 P.S. § 17-1725-A(a)(2).

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

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

<sup>18</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.

<sup>19</sup> Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the Public School Code and states the following: "For the fiscal year 2003-04 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

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### Scope

*What is a school performance audit?*

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with the LEA's management, the Governor, the Pennsylvania Department of Education, 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 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 January 28, 2014 through March 27, 2014, except for the verification of professional employee certification, which was performed for the period July 1, 2011 through March 10, 2014.

Regarding state subsidies and reimbursements, our audit covered the 2011-12 school year.

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

### Objectives

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

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

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

- ✓ Was the Charter School in overall compliance with the Public School Code of 1949<sup>20</sup> (PSC) and the Charter School Law (CSL)?<sup>21</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>20</sup> 24 P.S. § 1-101 *et seq.*

<sup>21</sup> 24 P.S. § 17-1701-A *et seq.*

services report filed with the Pennsylvania 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 its Board of Trustees, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?<sup>22</sup>
- ✓ Did the Charter School comply with the open enrollment and lottery provisions of the CSL?
- ✓ Did 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 PSC, 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?
- ✓ 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 PDE and were its average daily membership and tuition billings accurate?
- ✓ Did the Charter School have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information

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<sup>22</sup> 65 Pa.C.S. § 1101 *et seq.*

Management System is complete, accurate, valid, and reliable?

- ✓ Did the Charter School comply with the CSL's compulsory attendance provisions and, if not, did the Charter School remove days in excess of ten (10) consecutive unexcused absences from the Charter School's reported membership totals pursuant to the regulations?<sup>23</sup>
- ✓ Did the Charter School require that all of its employees enroll in the Public School Employees' Retirement System as required by the CSL, 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 internal controls in place related to vendor access?
- ✓ Were there any other areas of concern reported by independent auditors, citizens, or other interested parties which warrant further attention during our audit?

## **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 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.

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<sup>23</sup> 22 Pa. Code § 11.24.

*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.

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, pupil membership records, state ethics compliance, student health services, special education, lease agreements, open enrollment, vendor contracts, IRS 990 forms, reimbursement applications and student enrollment.
- Items such as Board of Trustees' meeting minutes and policies and procedures.

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

## Findings and Observations

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### Finding No. 1

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### **A Lack of Appropriate Internal Controls Prevented the Board of Trustees from Effectively Overseeing the Charter School's Operations**

*Criteria relevant to the finding:*

Section 1716-A of the Charter School Law (CSL), 24 P.S. § 17-1716-A, requires the board of trustees of a charter school to exercise control over budgeting and operating procedures . . . and to have authority to employ discharge and contract with necessary professional and nonprofessional employees.

Section 1719-A (5) of the CSL, 24 P.S. § 17-1719-A (5), requires the application to define the mission and education goals of the charter school, the curriculum to be offered and the methods of assessing whether students are meeting educational goals.

Section 1720-A of the CSL, 24 P.S. § 17-1720-A, states: “. . . This written charter shall be legally binding on both the local board of school directors of a school district and the charter school's board of trustees.”

Section of 1732-A of the CSL, 24 P.S. § 17-1732-A, subjects charter schools to specified provisions of the Public School Code (PSC), including: Section 518 of the PSC, 24 P.S. § 5-518, requires boards to retain financial records, including financial account books, bills, contracts, invoices, receipts, etc. for a period of not less than six (6) years.

Our audit found that the Erie R.I.S.E. Leadership Academy Charter School's (Charter School) Board of Trustees (Board) does not properly meet its fundamental governance requirements under the Charter School Law (CSL). As a result, the Charter School failed to meet its educational mission, often failed to comply with the terms of its charter and/or applicable laws and regulations, and lacked basic documentation to comply with other relevant requirements. Additionally, the Board of Trustees (Board) delegated the Charter School's operations to the Chief Executive Officer (CEO) and a for-profit financial consulting company. This action was inconsistent with the CSL because the Board did not maintain proper control over the Charter School's operations.

### **No Board Oversight of Chief Executive Officer (CEO) and Financial Consulting Company**

The Board failed to meet even its basic fiduciary board obligations (e.g., serve in good faith and with due diligence) for governance of the Charter School, which was organized as a “public, nonprofit corporation” pursuant to the CSL, by having minimal involvement in the Charter School's operations. As a result, it does not oversee and monitor the performance of the Charter School's CEO and its financial consulting company. There is no evidence that the Board has control over the Charter School's key operations, as required by the CSL. Examples of the instances in which the Board has demonstrated lax governance practices, which are not consistent with the CSL, include, but are not limited to, the following:

- **Role of the Consultant:** The Charter School's for-profit financial consulting company has significant control over its basic operations. According to the contract, the company has access to the public Charter School's bank accounts, controls the payment of the Charter School's invoices, bills the Charter School's sending school districts for tuition, and amends the

*Criteria relevant to the finding  
(continued):*

Section 2.7 of the Charter School's By-Laws states that:

- The president shall sign, execute, and acknowledge all contracts or other instruments authorized by the board.
- The secretary shall record . . . the minutes . . . including all votes . . . in a book or books to be kept for that purpose as required by law.
- The treasurer in coordination with the Business Manager shall oversee the receipt of all funds . . . shall also make payments out of the same on proper order approved by the board.

Section 7.2 (Books and Records) of the Charter School's By-Laws states that: "The Erie Rise Leadership Academy Charter School shall keep at its registered office or Chief Executive Officer place of business: a) correct and complete books and records of financial accounts; b) minutes of the proceedings of the Board of Trustees and Board committees; c) current membership lists; and d) the original or a copy of its bylaws, including amendments to date, certified by the Secretary of the Board."

Charter School's budgets. The extent of the financial consulting company's control increases the risk that the Board and the CEO might not know if the company acted inappropriately. There is no evidence that the CEO monitors the financial consulting company's activities adequately, nor is there evidence that the Board requires this oversight.

- **Vendor Contracts:** The CEO delegated the management of the Charter School's vendor contracts to the financial consulting company. There is no evidence that the Board properly approved these contracts or that the Board set policy to ensure that the CEO and the financial consulting company verify that the vendors comply with the terms of their contracts.
- **Federal Programs:** The CEO delegated the oversight of the Charter School's federally funded free and reduced school lunch program to its contracted caterer. Neither the CEO nor the financial consulting company monitors this program, and the Board has not set policy to ensure that they do so or that the Charter School is in compliance with all federal regulations.
- **Hiring and Payroll:** The financial consulting company manages the Charter School's hiring and payroll activities with minimal oversight from the CEO and the Board. For example, the CEO did not know if the individuals providing lunch services at the Charter School worked for the Charter School or its catering company.

**Lack of Information to the Board**

Neither the CEO nor the financial consulting company provided the Board with financial and operational information necessary to properly govern the Charter School. This information includes treasurer's reports, bills, expenditure approvals, check registers, and complete annual financial reports.

Without this information, the Board has no way of monitoring the Charter School's financial operations, nor does it have an ability to hold the CEO and the for-profit financial consulting company accountable for that performance. Once again, the Board's lack of control over

*Criteria relevant to the finding (continued):*

The Government Accountability Office's Standards of Internal Control in the Federal Government, (Washington D.C. November 1999, pgs 4-5) states that "Internal control . . . serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Internal control should provide reasonable assurance that the objectives of the agency are being achieved in the following categories:

- Reliability of financial reporting, including: reports on budget execution, financial statements, and other reports for internal and external use."

The Ethics Act requires all candidates for public office, public officials, and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1<sup>st</sup> of each year they hold their positions and of the year after leaving such positions. (See 65 Pa.C.S. § 1104(a)).

the Charter School's operations is inconsistent with the CSL.

### **Board's By-Laws Delegate Its Responsibilities to the CEO**

Section 2.3 of the Board's By-Laws delegate accountability for the Charter School's policies, procedures, programs, and academic performance to the CEO, but Section 3.1 of these same By-Laws state that the Board is responsible for these duties. Under Pennsylvania's CSL, it is the Board, not the CEO, the applicant, the founder, or a subsequent management company, who is responsible for maintaining oversight of the Charter School's general operations.

### **Lack of Internal Controls**

The Board has not adopted policies to govern the Charter School's operations. Without these governing policies, the Board cannot demonstrate the existence of an effective internal control environment to ensure that the Charter School is meeting its objectives and goals. Likewise, without such a system, the Board cannot adequately hold the Charter School's administration accountable for how it is operating the Charter School and whether it is complying with all applicable laws and regulations and its approved charter.

The result of this lack of internal controls is that the Charter School failed to meet its educational mission and its operations often do not comply with the terms of its charter or the CSL and other applicable laws and regulations. In addition, its lack of basic documentation prevents it from demonstrating compliance with other relevant requirements.

### **Administration Lacks Accountability**

Several Charter School employees violated Pennsylvania's Public School Employees' Retirement System's (PSERS) regulations by collecting salaries from the Charter School while simultaneously receiving PSERS annuity payments. For example, for over a year, the CEO collected a \$120,000 salary from the Charter School while also receiving PSERS annuity payments (see Finding No. 2, page 21).



### **Poor Academic Performance**

The Charter School’s academic performance is failing, as demonstrated by its low School Performance Profile score of 58.4 for the 2012-13 school year.<sup>24</sup> In addition, the Charter School did not meet Adequately Yearly Progress (AYP) in the 2011-12 school year and was in an AYP warning status. Its Pennsylvania System of School Assessment (PSSA) scores were as follows:<sup>25</sup>

<b>Students Scoring At or Above “Proficient”</b>		
	<u>2011-12</u>	<u>2012-13</u>
Math	28.2 %	29.2 %
Reading	20.0 %	28.4 %

### **High Turnover in a Key Academic Leadership Position**

The Charter School has employed four (4) different principals since it opened. This high level of turnover in such an important position can lead to instability in regard to academic message and leadership expectations.

### **Failure to Follow Independent, Local Auditor’s Recommendations to Management**

The Charter School failed to implement recommendations noted by two (2) different accounting firms hired by the Charter School to prepare its audited financial statements for the 2011-12 and 2012-13 school years. Collectively, the Charter School’s Board and management received ten (10) recommendations. Our audit found the same areas of concern that remain uncorrected.

### **Failure to Operate in Accordance with Its Approved Charter**

The Charter School has violated several terms of its approved charter, including:

- **Exceeding the Approved Teacher-to-Student Ratios:** During the 2013-14 school year, the Charter School’s Kindergarten girls’ classroom student-to-teacher ratio

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<sup>24</sup> Pennsylvania Department of Education “School Performance Profile.” Accessed March 14, 2014, from <http://paschoolperformance.org/>.

<sup>25</sup> Pennsylvania Department of Education “School Performance Profile.” Accessed March 14, 2014, from [http://www.portal.state.pa.us/portal/server.pt/community/school\\_assessments/7442](http://www.portal.state.pa.us/portal/server.pt/community/school_assessments/7442).

was 32:1, exceeding the 20:1 student-to-teacher ratio required by the approved charter.

- **Combining Grade Specific Classes:** In its application submitted to the approving school district, the Charter School justified its existence in part because it promised to have one (1) gender specific classroom per grade level. However, the Charter School combined 2<sup>nd</sup> and 3<sup>rd</sup> grade boys' classes in the 2011-12 school year, and the 3<sup>rd</sup> and 4<sup>th</sup> grade boys' classes in the 2012-13 school year. By organizing the students this way, the Charter School failed to provide one (1) gender specific classroom per grade level in accordance with its approved charter. Likewise, the Charter School did not notify the authorizing school district about the change or request approval, another violation of its charter.
- **Offering Saturday School:** The Charter School held Saturday school, even though that program was not part of the approved charter.
- **Failure to Establish Key Policies:** The Board failed to establish discipline rules, including a Student Code of Conduct and never required a mandatory attendance plan, as required by its approved charter.
- **Failing to Monitor Attendance:** The Charter School's management did not monitor attendance and did not follow-up with parents of absent students as required by its approved charter.
- **Failing to Separate Grades:** Without approval from the authorizing school district, the Charter School educated its 6<sup>th</sup> grade class in the same building as its K-5 classes, even though its charter states the 6<sup>th</sup> grade would be in a separate building.
- **Maintaining an Incomplete Board:** The Board has only ever had eight (8) Board of Trustees, even though the approved charter requires it to have nine (9).

### **Lack of Basic Documentation**

The Charter School's basic documentation is incomplete, unsigned, and/or missing completely, including:

- Payroll Records.
- Certification Records.
- Criminal Background Checks and Child Abuse Clearances.
- Vendor Contracts.
- Student Enrollment Data.
- Student Registration Data.
- Statements of Financial Interest.

The CSL and the Public School Code (PSC) both require charter schools' boards of trustees to maintain operational control. In addition, best practices in government management recommend that governing bodies establish a strong system of internal control to ensure that organizations meet their mission and properly use public resources. The board of trustees of a charter school is to exercise control over budgeting, curriculum, and operating procedures, and, according to the Pennsylvania Supreme Court, a charter school is "controlled by an independent board of trustees who retain the ultimate authority over the general operation of the school."

### **Recommendations**

The *Erie R.I.S.E. Leadership Academy Charter School Board* should take immediate corrective action to address the urgent need for improved governance.

Broadly, the Charter School's Board and management must create a strong system of internal control that the Charter School can use to ensure it meets its educational mission, its operations comply with the terms of its charter and/or applicable laws and regulations, and it maintains basic documentation to demonstrate compliance with other relevant requirements. In addition, the Charter School's Board must develop mechanisms for assessing management's effectiveness and ensuring that it receives the information it needs to make sound operational decisions.

Specifically, the *Erie R.I.S.E. Leadership Academy Charter School Board* should:

1. Accept responsibility for overall governance of the Charter School and repeal Section 2.3 of its By-Laws delegating accountability for the Charter School's policies, procedures, programs, and academic performance entirely to the CEO, without maintaining an oversight role.
2. Prepare formal governing policies that outline the way the Charter School should operate and form the basis for it to monitor whether the Charter School is on track to meet its educational mission, comply with the terms of its charter, the CSL, and other applicable laws and regulations, and has basic documentation to demonstrate compliance with other relevant requirements. The Board should then direct the Charter School's CEO to establish processes and procedures to implement those policies. Topics should include:
  - a. A clear plan for addressing the Charter School's poor academic performance. The plan should include measureable benchmarks for success that can be monitored by the Board and the CEO.
  - b. The accurate preparation and maintenance of all documentation required to demonstrate compliance with the charter and all applicable laws and regulations, including payroll records, criminal background checks and child abuse clearances, certification records, vendor contracts, Statement of Financial Interests, student information data, and tuition billings.
  - c. The establishment of a system of accountability for all functions contracted out to vendors and a method for ensuring that the Charter School documents the Board's approval of all contracts clearly. This system should include a mechanism for verifying and documenting that the vendors comply with the terms of the contracts.
  - d. The assurance of compliance with PSERS retirement provisions.
  - e. The preparation of accurate and complete board meeting minutes.

- f. The requirement that the Board receive monthly bank reconciliations, treasurer reports, expenditure approvals, check registers, and complete annual financial reports.
  - g. The development of an organizational reporting structure that clearly defines areas of responsibility and authority and appropriate lines of reporting.
3. Take steps to either amend its charter to reflect its current operations or bring its operations back into compliance with the charter, including classroom organization, teacher student ratios, Saturday school, attendance monitoring, and board composition.
  4. Establish benchmarks for measuring management's performance and hold management accountable when these standards are not met.

### **Management Response**

Auditor's note: The Erie R.I.S.E. Leadership Academy Charter School's response identified individuals and/or entities by their specific names. For confidentiality purposes, the Pennsylvania Department of the Auditor General has replaced names with position titles and/or entity type as they were identified throughout the report.

Management stated the following:

“The Board of Directors (BOD) has controls in place, both at the time of the audit and currently to effectively oversee both the CEO and [consulting company]. The BOD reviews and makes improvements to its internal controls on an ongoing basis.

During the audit period, each month, prior to the regularly scheduled BOD meeting, the BOD-finance committee and the [consulting company] reviewed the monthly financial statements. In addition, the entire BOD reviewed the monthly financials at the regularly scheduled board meeting. Following the recommendations of the interim audit report, the BOD revised and formalized its internal control policies to remove the [consulting company]'s access to the bank accounts and require two BOD members as signatories on the bank account. (See Erie RISE

Updated Policies provided on June 6, 2014). (Also see Municipal Deposit Resolution).

The following monthly reports are generated by the [consulting company] and presented to the BOD:

- Comparative Balance Sheet with dates, fiscal year end and the most recent month end.
- Budget versus Actual for the month period ending as of the most recent month end.
- End of year projection versus the annual budget.
- Accounts Receivable as of the most recent month end.
- Accounts Payable as of the most recent month end.

Following the interim findings, management has revised the monthly package to include a current accounts payable listing.

Concerning Oversight of the [consulting company] and CEO: As of the interim findings, the BOD has conducted extensive performance reviews for the CEO and [consulting company]. The CEO has had numerous areas of improvement identified, reviewed, and agreed upon. The [consulting company] has been informed of the BOD's decision to review its contract and measure its performance against the budget performance and audit findings. Also, the BOD has retained a solicitor to review the [consulting company]'s consulting advice.

BOD By-Laws Delegate its Responsibilities to the CEO: Section 2.3 of the ERLACS [Erie R.I.S.E. Leadership Academy Charter School] By-Laws holds the CEO responsible for the Day-to-Day execution of the BOD's policies and the school's operations. Section 3.1 makes it clear that the BOD has the overall responsibility of oversight and governance of the same. This is not in contravention to Charter School Law, and any interpretation to the contrary should see this restatement. *As with all RISE policies and procedures, if anything in the by-laws or policies is contrary to applicable state or federal law, the applicable law controls.*

Lack of Internal Controls: The BOD, on their own initiative, twice hired a private, independent auditor to

review their policies to ensure they that had the proper policies and procedures in place with regard to their finances. The 2013 audit stated, “Erie performed in Accordance with Government Auditing Standards.” The auditor did not identify any deficiencies in internal controls that they found to be material weaknesses. The BOD did oversee the school’s operations. The BOD actively exercises oversight including approval of annual operating and capital budgets, long-range financial plans, and development of financial policies. Additionally, the BOD also oversaw regular meetings with the bookkeeping consultant, reviewed board development, approval of the school’s budget, and approval of vendor contracts. (See Purchasing and Payment Policy). Additionally, the BOD hired a compliance officer to ensure that all contractual requirements of the vendors are being met. The BOD does have access to the school’s financial records, invoices, receipts, etc.

Poor Academic Performance: ERLACS would have achieved safe harbor pursuant to “No Child Left Behind”- the original standard or grading academic performance. Under PSSA, ERLACS did not achieve a high rating; however, ERLACS did out-perform many schools in its area under the PSSA evaluation tool. Notwithstanding, ERLACS school improvement plan has been reviewed and approved for implementation by the Pennsylvania Department of Education. (See letter sent to AG on June 6, 2014).

Failing to Operate in Accordance with its Approved Charter: Previously, there have been instances where RISE was not fully in accordance with its approved Charter; however, that is currently not an issue. Student population growth and sibling enrollment had a significant impact on class size and teacher-to-student ratio. The BOD created and implemented a plan to increase the overall size of its professional staff. Presently, there are no classes at RISE that has a student/staff ratio greater than 20:1.

Additionally, when appropriate, RISE has petitioned to amend its charter so that it is operating in full compliance with its Charter [*sic*]. The BOD used its best efforts to obtain and keep 9 board members as was initially required; however, was unsuccessful. Subsequently, they amended their bylaws to include a range of members, instead of a

specific number. Specifically, Section 2.1 states, “Number of Board Members - the Erie Rise Leadership Academy Charter School shall be governed by a Board of Trustees composed of no fewer than 5 and more than 13 members. The BOD has always had at least 7 board members and that number is compliant with their current bylaws.

Lack of Basic Documentation: In 2011-12, there were issues with incomplete BOD meeting minutes. The BOD has taken the additional step of audio recording its BOD meetings going forward to ensure that the minutes accurately reflect the review of the aforementioned information and decisions. The BOD has completed all Pennsylvania Public Official and Employees Ethics Act – The Financial Interest forms for 2013. Erie has never been assessed a penalty by the state for its untimely submission, nor has a financial conflict of interest ever existed.

To further improve the process of hiring and employment clearances a written teacher/professional interview requirement notice has been developed. Updated background records will be kept by the Director of Compliance and reviewed on a regular basis. Individuals identified by the Erie School District to be missing clearances have signed affidavits that they provided all necessary clearances when hired. Currently, new employees have 90 days to provide all clearances and background check information.”

### **Auditor Conclusion**

While the Board is to be commended for the corrective actions already implemented, we stand by our audit results. It is imperative that the Board accept responsibility for control and oversight of the Charter School. Governance shortcomings, including poor academic performance, lack of documentation, poor internal controls, and even following the provisions of its charter, must be addressed.

We will follow up on the Board’s efforts to do so during our next cyclical audit of the Charter School.



## Finding No. 2

## PSERS and SERS Annuitants Hired by Charter School

### *Criteria relevant to the finding:*

Public School Employees' Retirement System's (PSERS) Return to Service Guidelines and Clarification states that a retiree may not be employed by a Pennsylvania public school and receive a public school retirement benefit at the same time. The Retirement Code, however, provides that a retiree may return to work for a Pennsylvania public school and continue to receive retirement benefits if one of the following exceptions applies: employment due to an emergency; employment in the event of a personnel shortage; or employment in an extracurricular position under a separate contract.

24 Pa.C.S. § 8346(b) Emergency or Personnel Shortage – the school employer makes the determination that an Employment Emergency or Personnel Shortage exists and that only a retiree is available to fill the position. PSERS has the right to review the employment of any retiree for compliance with the intent of the Retirement Code. If the school employer or retiree has any questions as to whether a particular situation will qualify they may submit to PSERS for review the facts surrounding their determination. PSERS will advise the employer and retiree whether the employment of the retiree complies with the Retirement Code situation occurs.

Our audit of the Erie R.I.S.E. Leadership Academy Charter School (Charter School) revealed that since July 1, 2011, the Charter School employed at least four (4) annuitants from the Public School Employees' Retirement System (PSERS) and one (1) annuitant from the State Employees Retirement System (SERS). As a result, these individuals received compensation from the Charter School while simultaneously receiving retirement annuity payments from PSERS or SERS.

Local education agencies are responsible for contacting the retirement systems in order to approve an annuitant's return to service before the individual begins employment, because PSERS and SERS are responsible for ensuring that any post-retirement employment is in compliance with the Internal Revenue Retirement Code, which specifically states that an individual cannot work for the same company from which they receive an annuity. PSERS or SERS must suspend future annuity payments; otherwise, the annuitant is in violation of the Internal Revenue Retirement Code.

Our audit revealed several instances where the Charter School employed annuitants without first notifying the applicable retirement system and receiving subsequent approval:

- Annuitant A was hired by the Charter School on May 1, 2011, but did not file a PSERS' *Retirees Returning to Service* form until November 19, 2013. The *Returning to Service* form for Annuitant A was signed by the Board of Trustees' President, and suspended any future annuity payments. However, the form indicated that Annuitant A's return to service start date was October 1, 2013. Furthermore, records indicate that Annuitant A actually began participating in PSERS, along with other Charter School employees on July 1, 2011. Therefore, the Charter School should have used July 1, 2011, as the return to service start date for the employee. Based on the Charter School's failure to accurately identify the true date that the annuitant returned to work, the annuitant collected a paycheck from the Charter School and an annuity payment from PSERS for two (2) years before PSERS stopped the annuity payments.

- Annuitant B and Annuitant C were hired by the Charter School on July 1 and on September 12, 2011, respectively. They indicated that they believed that Charter School personnel had submitted the necessary paperwork to PSERS and that PSERS gave approval for them to return to employment at the Charter School. Based on communication from PSERS, these employees have been receiving annuity payments (and, as of the end of our fieldwork, continue to do so) since November 2004 and September 2006, respectively.
- Annuitant D was hired on July 1, 2013, but left employment on November 8, 2013, after expressing concerns about the potential loss of annuity payments.
- Annuitant E was receiving payments from SERS while also employed by the Charter School. However, both the Charter School and the annuitant failed to notify SERS of this return to service.

Members of the Charter School's administration indicated that, during their tenure at other public schools, annuitants had been hired without notifying and seeking approval from PSERS or SERS. Therefore, they did not think that such action was necessary. In addition, the administration also stated that due to the Charter School receiving an approved charter close to the start of the school year, the Charter School had to fill vacancies quickly and preferred experienced personnel. Therefore, they believed annuitants were a good choice.

### **Recommendations**

The *Erie R.I.S.E. Leadership Academy School* should:

1. Consult with their solicitor to develop an appropriate course of action for annuitants currently employed by the Charter School.
2. Review the Charter School's personnel files and initiate contact with any employees regarding the potential issue with PSERS and SERS.

3. Require the Board of Trustees to consult with their solicitor to develop procedures for future annuitant employment.

The *Public School Employees' Retirement System* and *State Employees' Retirement System* should:

4. Request the Charter School to provide information on all hired annuitants for PSERS' and SERS' review.
5. If annuity payments are determined to be improper, make the necessary corrections to future pension benefits.

### **Management Response**

Management stated the following:

“The Public School Employees Retirement System’s (PSERS) Return to Service Guidelines and Clarification states that a retiree may not be employed by a Pennsylvania public school and receive a public school retirement benefit at the same time, except for the following reasons: 1) employment due to an emergency; 2) employment in the event of a personnel shortage; or 3) employment in an extracurricular position under a separate contract. Erie RISE’S Board of Directors (BOD) provided PSERS with a letter on November 10, 2011, informing them that [Annuitant A], was a retiree which had returned to service for an emergency basis for the school year of 2011-2012. It is our belief that Annuitants B and C listed in the findings are independent contractors that makes them eligible to still receive their retirement benefits. Moving forward, the BOD is developing and implementing a policy that will require employees to disclose if they are receiving PSERS benefits at the outset of their hiring. Prospective employees must present a return of a proof service letter to Human Resources. Currently, no current employee at RISE is receiving PSERS.”

### **Auditor Conclusion**

We believe that based on the lack of supporting documentation relating to the re-employment of PSERS' annuitants at the time of our audit, the finding stands as written. A copy of the finding will be forwarded to PSERS for final determination.

### Finding No. 3

### Failure to Complete and File Statement of Financial Interests and Possible Conflicts of Interest

*Criteria relevant to the finding:*

When enacting the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, our General Assembly stated the following:

“Because public confidence in government can best be sustained by assuring the people of the impartiality and honesty of public officials, this chapter shall be liberally construed to promote **complete** financial disclosure as specified in this chapter.” (See 65 Pa.C.S. § 1101.1(a)).

The Ethics Act requires all candidates for public office, public officials, and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1<sup>st</sup> of each year they hold their positions and of the year after leaving such positions. (See 65 Pa.C.S. § 1104 (a)).

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), 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...”

Our review of the Erie R.I.S.E. Leadership Academy Charter School (Charter School) found that the Charter School had missing and incomplete Statements of Financial Interest (SFIs) for the calendar years 2011 and 2012. Specifically, the Charter School administrators and Board of Trustees (Board) failed to file SFIs, or filed incomplete SFIs, which are required by the Public Official and Employee Ethics Act (Ethics Act).<sup>26</sup>

The Ethics Act specifically requires public officials and certain public employees to disclose matters on their SFIs that could potentially create a conflict of interest with their public duties. Moreover, when individuals from the charter school do not make required disclosures, the public cannot determine whether a conflict of interest exists. This in turn erodes the public’s trust.

Our audit also noted that:

- SFIs on file were not signed and dated between January 1<sup>st</sup> and May 1<sup>st</sup> as required by the Ethics Act.
- The Charter School’s Board did not adopt or approve any nepotism or ethics policies.
- The Charter School’s Board delegated employment and employee reviews and relations to the Chief Executive Officer (CEO). This delegation resulted in the hiring of the CEO’s brother as the safety/security administrator and the CEO’s nephew as an informational technology consultant.

In addition, although not specifically identified in the ethics law as “immediate family,” we noted that the CEO’s cousin was a member of the Board of Trustees. To ensure complete transparency, the Board Member should have abstained from voting on matters involving the CEO, and these abstentions should have been reported in the board meeting minutes. No such abstentions were noted in the

<sup>26</sup> These board members and administrators, including the CEO and all other employees of the Charter School are considered “public officials” under the Charter School Law and are subject to the Public Official and Employees Ethic Act. See 24 P.S. § 17-1715-A(11), (12).

*Criteria relevant to the finding (continued):*

Section 1109(b) of the Ethics Act, 65 Pa.C.S. § 1109(b), provides 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 or both.

board meeting minutes related to the Charter School’s purchasing of a life insurance policy for the CEO or on votes taken for approving conferences and seminars attended by the CEO.

The Charter School’s administration attributed the missing and incomplete SFIs to their inexperience and their failure to understand the provisions of the Ethics Act, including those related to nepotism and board abstention requirements.

### **Recommendations**

The *Erie R.I.S.E. Leadership Academy Charter School* should:

1. Develop internal controls, in conjunction with its solicitor and the State Ethics Commission, to ensure all board members and administrators correctly complete and submit SFIs.
2. Adhere to provisions of the Pennsylvania Ethics Act and require Board Members to publicly announce or disclose the nature of his/her interest as a matter of public record and file a written memorandum with the Board Secretary attesting to the actual or implied “Conflict of Interest.”
3. Consult its independent auditor to ensure that future “conflicts of interest” or potential conflicts are properly disclosed in their annual audit report.
4. Require the Board of Trustees to enact nepotism and ethics policies and procedures.
5. Amend the Charter School’s By-Laws to reestablish the Board’s responsibility for employment, reporting structure and employee reviews.

The *State Ethics Commission* will be forwarded a copy of our audit for possible further action.

## Management Response

Auditor's note: The Erie R.I.S.E. Leadership Academy Charter School's response identified individuals and/or entities by their specific names. For confidentiality purposes, the Pennsylvania Department of the Auditor General has replaced with position titles and/or entity type as they were identified throughout the report.

Management stated the following:

“Financial disclosures required under the Pennsylvania Public Official and Employees Ethics Act was submitted, albeit late. The state has not imposed a penalty on Erie RISE, and no conflict of interest has ever existed. The Board of Directors (BOD) has developed policies to ensure that Financial Disclosures are completed and submitted in a timely fashion.

Erie is a very small community with many overlapping layers of relationships and familial connections. As a result, it is highly probable that family members will end up working at the same company. The BOD hired [CEO's nephew] as a consultant after he made a proposal/presentation to the full board for the development and implementation of a technology plan. [CEO's nephew] also secured a grant for RISE to implement the technology plan. His consulting contract has ended and he is no longer working at RISE. The BOD also hired [CEO's brother], a retired law enforcement officer, after his qualifications were presented at a board meeting. [CEO's brother] had agreed to work for RISE at a significantly reduced rate than would otherwise be found. He too, is qualified and has done exemplary work. Erie is a community of thousands, with a limited number of educators available, and even fewer who are not already employed by the Erie School District. The BOD hired the best, available persons for the positions. The BOD has developed and adopted conflict of interest policies to ensure that nepotism does not exist, and that all potential conflicts are evaluated and addressed immediately. (See Erie RISE Board Policy Updates provided on June 6, 2014).

The fact that the CEO's cousin is on the Board of Directors is irrelevant. Cousin is not included in the Ethics Law as 'immediate family'. If the legislature wanted to make this

extension to ‘immediate family’ it would have done so. Therefore, the board member was not required to abstain from voting on matters regarding the CEO.”

### **Auditor Conclusion**

We are encouraged that the Charter School has developed and implemented conflict of interest policies to prevent nepotism. And we are also encouraged that the Charter School has developed and implemented policies and procedures regarding the complete, accurate, and timely submission of the state-required Statement of Financial Interests documentation.

While we acknowledge the limited professional educational community from which the Charter School can access, we feel those constraints reinforce the importance of conflict of interest and anti-nepotism policies—the purpose of which is to address both actual and perceived conflicts of interest.

The results of our audit will be forwarded to the State’s Ethics Commission for final determination.



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

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**T**his is our first audit of the Erie R.I.S.E. Leadership Academy Charter School. Therefore, there are no prior audit findings or observations.

## Distribution List

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This report was initially distributed to the Chief Executive Officer of the Charter School, the Board of Trustees, our website [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

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