

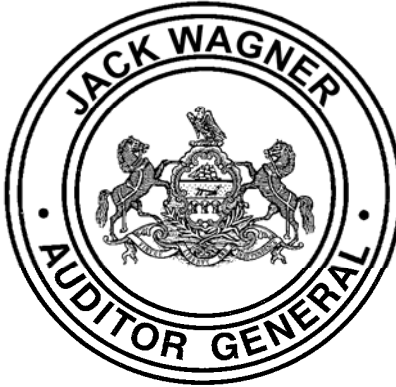
RIDGEVIEW ACADEMY CHARTER SCHOOL  
WESTMORELAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

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

WITH FINDINGS AND RECOMMENDATIONS

THROUGH NOVEMBER 13, 2006





RIDGEVIEW ACADEMY CHARTER SCHOOL  
WESTMORELAND 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 NOVEMBER 13, 2006



RIDGEVIEW ACADEMY CHARTER SCHOOL  
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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a performance audit of the Ridgeview Academy 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 Ridgeview Academy 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 identified that, in all significant respects, the Ridgeview Academy 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 two findings further discussed in the Conclusion section of this report:

- Finding No. 1 – The Agreement for the Provision of Educational Personnel Between Ridgeview Academy Charter School and Adelphoi Village, Inc. Does Not Conform to State Law and the Charter Granted By the Greater Latrobe School District
  
- Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Five Different Members of the Board of Trustees Failed to File Statements of Financial Interests At Some Time During the Audit Period

Independent Auditor's Report (Continued)

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,

January 7, 2008

/s/  
JACK WAGNER  
Auditor General



RIDGEVIEW ACADEMY 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.<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 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 good 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 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>

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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.

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

RIDGEVIEW ACADEMY 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.<sup>10</sup> 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.<sup>11</sup> There are currently 125 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.<sup>12</sup> According to DE, nearly 50,000 children are enrolled in these schools.<sup>13</sup>

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<sup>10</sup> 24 P.S. § 17-1703-A.

<sup>11</sup> 24 P.S. § 17-1745-A (a), (f).

<sup>12</sup> Information obtained from the Department of Education as of October 12, 2007.

<sup>13</sup> Department of Education Web site at [http://www.pde.state.pa.us/charter\\_schools/site/default.asp](http://www.pde.state.pa.us/charter_schools/site/default.asp).

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

The Ridgeview Academy Charter School, located in Westmoreland County, opened in September of 1998. The Ridgeview Academy Charter School was originally chartered on February 19, 1998, for a period of three years by the Greater Latrobe School District. The school's charter was renewed on February 20, 2001 and February 17, 2006. The administrative offices are located at 1133 Village Way, Latrobe, Pennsylvania. Effective July 1, 2007, the Ridgeview Academy Charter School changed its name to the Robert Ketterer Charter School. However, the charter school was operating as the Ridgeview Academy Charter School during this audit period.

Ridgeview Academy Charter School was chartered with the specific intent of providing educational services to disruptive students in grades 1 through 12. Ridgeview Academy Charter School works in partnership with Adelphoi Village, Inc., a private, non-profit child care agency that provides community-based treatment services for at-risk youth and their families. In fact, Adelphoi Village, Inc. was the charter applicant who sought permission to open the Ridgeview Academy Charter School. Moreover, Adelphoi Village, Inc. is the management company for the Ridgeview Academy Charter School.

Ridgeview Academy Charter School provides educational services for its host charter district, the Greater Latrobe School District, as well as other disruptive youth from public school districts throughout Pennsylvania. Ridgeview Academy Charter School maintains four different facilities within the Greater Latrobe School District that each provide specialized educational and therapeutic services, including a partial hospitalization program.

Ridgeview Academy Charter School accepts non-adjudicated students who have academic and behavioral issues and whose parents referred them to the charter school as an education alternative while they were still living at home. Additionally, the charter school accepts adjudicated students who have been placed through the court system in day treatment or residential programs at Adelphoi Village, Inc, the aforementioned child care agency. In this instance, the adjudicated students receive educational services from Ridgeview Academy Charter School while living in group homes run by Adelphoi Village, Inc. It is important to note that the average length of stay at Adelphoi Village, Inc. is between six and nine months so most of these students are enrolled at Ridgeview Academy Charter School for only a portion of the school year.

According to the charter school's charter application, Ridgeview Academy Charter School's mission is to provide students with an education that creates opportunities for academic success and empowers them with the ability to construct meaning in their lives.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background (Continued)**

During the year ended June 30, 2006, the Ridgeview Academy Charter School provided educational services to 431 students from 131 sending school districts through the employment of 3 administrators and 30 teachers. The charter school also provided educational services to 418 students from 139 sending school districts during the 2004-05 school year, and 477 students from 127 sending school districts during the 2003-04 school year. A list of all of the school districts who sent students to the Ridgeview Academy Charter School during this audit period is presented in Appendix IV.

Total expenditures for the school years<sup>14</sup> 2005-06, 2004-05 and 2003-04 were \$5,099,138, \$4,642,997 and \$4,174,073, respectively. Total revenues for the same period were \$5,074,278, \$4,711,125 and \$4,509,248, respectively. Revenues were derived from local, federal and state sources (see Summary of Charter School Revenue and Other Financial Sources, page 7). State revenue was received in the form of reimbursements for alternative education, rental and sinking fund payments<sup>15</sup>, health services, Social Security and Medicare Taxes, retirement obligations, and an educational assistance program (see Appendix III Schedule of State Revenue, page 21).

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 Law<sup>16</sup> 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,<sup>17</sup> 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. 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.

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<sup>14</sup> A “school year” is synonymous to a “fiscal year” and covers the time period from July 1<sup>st</sup> to June 30<sup>th</sup>.

<sup>15</sup> A “sinking fund” is a vehicle for repaying funds that were borrowed through a bond issue.

<sup>16</sup> 24 P.S. § 17-1725-A.

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

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

SUMMARY OF CHARTER SCHOOL REVENUE  
AND OTHER FINANCIAL SOURCES

[UNAUDITED]

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>CHARTER SCHOOL REVENUES</u></b>			
Local Revenue*	\$4,399,336	\$3,879,622	\$3,772,252
Federal Revenue	292,491	421,944	326,692
State Revenue	<u>382,451</u>	<u>409,559</u>	<u>410,304</u>
<b><u>TOTAL REVENUE</u></b>	<b><u>\$5,074,278</u></b>	<b><u>\$4,711,125</u></b>	<b><u>\$4,509,248</u></b>

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

Note: Refer to Appendices for support schedules of all dollar figures.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**OBJECTIVE AND SCOPE**

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

- to determine overall compliance with the Public School Code of 1949<sup>18</sup> (Code) and the Charter School Law (Law);<sup>19</sup>
- 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;<sup>20</sup>
- 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;<sup>21</sup>
- to verify membership numbers reported to DE and determine whether ADM and tuition billings were accurate;
- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code<sup>22</sup> and Chapter 11 of the State Board of Education Regulations<sup>23</sup> 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 State Board of Education Regulations;<sup>24</sup>

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<sup>18</sup> 24 P.S. § 1-101 *et seq.*

<sup>19</sup> 24 P.S. § 17-1701-A *et seq.*

<sup>20</sup> 24 P.S. § 17-1724-A(a).

<sup>21</sup> 24 P.S. § 17-1715-A(9).

<sup>22</sup> 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).)

<sup>23</sup> 22 Pa. Code, Chapter 11. (Charter schools are subject to the pupil attendance requirements of the State Board of Education Regulations pursuant to Section 17-1732-A(b) of the Law, 24 P.S. § 17-1732-A(b).)

<sup>24</sup> 22 Pa. Code § 11.24.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**OBJECTIVES AND SCOPE (Continued)**

- 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 Act<sup>25</sup> (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 is in compliance with Section 1724-A(c) of the Law<sup>26</sup> 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 conclude on the charter school’s progress in achieving its goals and the effectiveness of the monitoring and oversight procedures of the chartering school district and DE.

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

**METHODOLOGY**

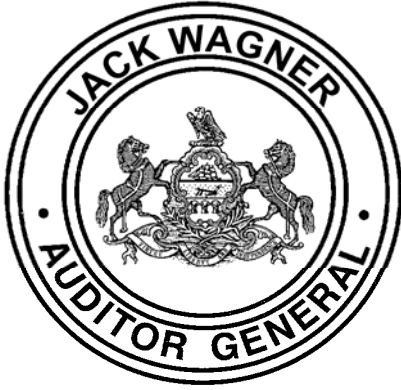
Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code.

The proper administration of a charter school requires the charter school’s board of trustees to establish and maintain internal controls to provide reasonable assurance 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 conduct of 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.

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<sup>25</sup> 65 Pa.C.S. § 1101 *et seq.*

<sup>26</sup> 24 P.S. § 17-1724-A(c).





RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSION**

The results of our tests indicate that, with respect to the audit objectives and items tested, the Ridgeview Academy 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 Ridgeview Academy 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;<sup>27</sup>
- 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;<sup>28</sup>
- the charter school validated membership numbers reported to DE and that ADM and tuition billings were accurate;
- the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code<sup>29</sup> and Chapter 11 of the State Board of Education Regulations;<sup>30</sup>
- the charter school is in compliance with Section 1724-A(c) of the Law<sup>31</sup> requiring that all employees of the charter school 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<sup>32</sup>; and

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<sup>27</sup> 24 P.S. § 17-1724-A(a).

<sup>28</sup> 24 P.S. § 17-1715-A(9).

<sup>29</sup> 24 P.S. § 13-1327; Please note that 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).

<sup>30</sup> 22 Pa. Code, Chapter 11. Please note that charter schools are subject to pupil attendance requirements of the State Board of Education Regulations pursuant to Section 17-1732-A(b) of the Law, 24 P.S. § 17-1732-A(b).

<sup>31</sup> 24 P.S. § 17-1724-A(c).

<sup>32</sup> Finding No. 1 addresses the fact that the charter school enrolled employees who were not teaching charter school students in the Public School Employees’ Retirement System, which is not authorized by the Law or the Code.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

- the charter school reported that it was successful in meeting all of its annual measurable goals.

**CONCLUSION (Continued)**

However, we determined that the Ridgeview Academy 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 two findings listed below. The findings and recommendations were reviewed with representatives of the Ridgeview Academy Charter School, and their comments have been included in this report.

**Finding No. 1 - The Agreement for the Provision of Educational Personnel Between Ridgeview Academy Charter School and Adelphoi Village, Inc. does not Conform to State Law and the Charter Granted By the Greater Latrobe School District**

On August 15, 1998, Ridgeview Academy Charter School (Ridgeview Academy) and Adelphoi Village, Inc. (Adelphoi) executed an Agreement For Provision Of Educational Personnel (Agreement), in which Ridgeview Academy agreed to provide “appropriate educational personnel” to teach in Adelphoi facilities (i.e., non-Ridgeview Academy students) and Adelphoi agreed to reimburse Ridgeview Academy for the salary and benefits of such personnel. The Agreement stated that Ridgeview Academy was an “independent contractor” and that “no member of the staff of [Ridgeview Academy] shall be considered an employee of [Adelphoi].” The Agreement further stated that Ridgeview Academy and Adelphoi “agree that each shall follow all federal, state and local laws, rules and regulations, in implementing this Agreement” and that any part of the Agreement in violation “will be declared null and void.”

During the course of the audit, the auditors ascertained the following additional information regarding the agreement:

- Ridgeview Academy teachers who are teaching Adelphoi students are considered Ridgeview Academy employees and are paid through Ridgeview Academy’s payroll system and have been participating in the Public School Employees’ Retirement System (PSERS). The only personnel supplied by Adelphoi to Ridgeview Academy were administrators/supervisors and Adelphoi teachers who taught at Ridgeview Academy strictly during its summer school program. While Ridgeview Academy employees who teach charter school students are eligible to, and do participate in PSERS, Ridgeview Academy employees who teach Adelphoi students, regardless of their payroll status, and Adelphoi employees are not eligible to participate in PSERS because they are not employees of the charter school;

RIDGEVIEW ACADEMY CHARTER SCHOOL  
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**Finding No. 1 (Continued)**

- Ridgeview Academy asserts that the Pennsylvania Department of Education (DE) had instructed Ridgeview Academy not to report the Ridgeview Academy teachers who taught Adelphoi students as “charter school teachers” on DE reports, as doing so would skew Ridgeview Academy’s student/teacher ratio; and
- Ridgeview Academy’s chief executive officer, who was not in her current position when the Agreement was initially executed, could not provide a justification for this arrangement. She stated that Adelphoi’s chief executive (who was not in his current position when the Agreement was executed) had told her that DE had approved the arrangement, but Ridgeview Academy could not provide any documentation to support this claim.

We determined that nowhere in the Public School Code (Code), the Charter School Law (Law), or the charter granted by the Greater Latrobe School District (Charter) is there any authority, expressed or implied, for Ridgeview Academy to contract out its teachers to teach non-charter school students in facilities owned by Adelphoi. Nor would there be such authority, as it could not have been the intent of the General Assembly to create a law for the benefit of public charter school students that would allow for what amounts to the indirect funding of private school students.

Furthermore, pursuant to Section 1724-A(c) of the Law,<sup>33</sup> “[a]ll employees of a charter school shall be enrolled in the Public School Employees’ Retirement System.” It is apparent that the intent of this provision of the Agreement was to ensure that all Ridgeview Academy employees who teach charter school students participate in PSERS. However, as noted earlier, Section 1724-A(c) of the Law clearly does not authorize Ridgeview Academy teachers who teach Adelphoi students and Adelphoi employees to enroll in and, thereby, become eligible for pension benefits of PSERS. Yet, our review found that at least one purpose of the Agreement appeared to be to provide PSERS retirement benefits (and perhaps other types of benefits as well, such as health insurance) to Ridgeview Academy teachers who teach Adelphoi students and who would not otherwise qualify. Doing so cost the Commonwealth money, as the Commonwealth is required by the Section 1724-A(c) of the Law<sup>34</sup> to contribute to the retirement plans of charter school employees pursuant to the Public School Employees’ Retirement Code.<sup>35</sup>

Because it violates state law, the Agreement, by its own terms, is null and void. Furthermore, in breaking its own commitment to operate Ridgeview Academy in accordance with state law, the Ridgeview Academy board violated the Charter, which should be considered by the Greater Latrobe Board of School Directors in deciding whether to revoke or not to renew the Charter.

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<sup>33</sup> 24 P.S. § 17-1724-A(c).

<sup>34</sup> *Id.*

<sup>35</sup> 24 Pa.C.S. § 8101 *et seq.*

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 1 (Continued)**

Recommendations

We recommend the following:

- Ridgeview Academy should immediately cease its practice of contracting out its teachers to teach non-Ridgeview Academy students; and
- Ridgeview Academy should henceforth not enroll its teachers who teach non-Ridgeview Academy students in PSERS.

We are also providing a copy of this report to the Greater Latrobe Board of School Directors and PSERS for their review and whatever further action they deem appropriate.

Response of Management

Management provided a written response disagreeing with the finding, stating:

Ridgeview Academy Charter School was originally incorporated in Pennsylvania in 1998. Since that time, independent audit reports have been prepared annually by certified public accountants with an unqualified opinion. These annual audit reports have clearly identified the “Agreement for Provision of Education Personnel” and the relationship between Adelphoi Village and Ridgeview Academy.

The Greater Latrobe School District has renewed the Charter for Ridgeview Academy on two separate occasions, in 2001 as well as 2006. The annual audit has been publicly reviewed with the Greater Latrobe School District and shared with the Pennsylvania Department of Education as well. This arrangement was not secretive and was known by the Greater Latrobe School District as well as the Pennsylvania Department of Education.

We also wish to emphasize that since its inception Ridgeview Academy Charter School’s record in terms of educating disruptive students has been exemplary. Ridgeview Academy has received nothing but positive feedback from the school districts whose resident students attend our program.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 1 (Continued)**

This challenge received from the Auditor General's office is the first and only issue to be raised with regard to our "Agreement for Provision of Educational Personnel" and its relationship with the Public School Employees Retirement System (PSERS). Notwithstanding the fact that this arrangement has existed for nine years, we intend to thoroughly research and review this issue and to follow the law.

Auditor's Conclusion

The intention of this report was not to state or imply any "secretive" action on the part of Ridgeview Academy or that the charter school is not a valuable asset to the education of the Commonwealth's students. However, there is absolutely no legal basis for the charter school to have an agreement with a private educational organization to supply the organization with certified teachers who teach non-Ridgeview Academy students and are then enrolled and become eligible for publicly funded pension benefits. Moreover, audit reports prepared by independent certified public accountants are not evidence of the legality of the Agreement.

**Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Five Different Members of the Board of Trustees Failed to File Statements of Financial Interests at Some Time During the Audit Period**

Our audit of charter school records for the calendar years ended December 31, 2005, 2004 and 2003, found that five members of the Ridgeview Academy Charter School's board of trustees, who served during some period covered in this audit report, failed to file their Statements of Financial Interests with the State Ethics Commission. Specifically, three different board members failed to file for the 2004 calendar year, and two different board members failed to file for the 2005 calendar year.

Of the Statements of Financial Interests forms 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 1<sup>st</sup> of each year they hold their positions and the year after leaving such positions.<sup>36</sup>

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<sup>36</sup> 65 Pa.C.S. § 1101 *et seq.*

RIDGEVIEW ACADEMY 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 . . .<sup>37</sup>

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.<sup>38</sup>

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.<sup>39</sup>

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 with regard to the board of trustees' responsibility when administrators and members fail to file a Statement of Financial Interests; and

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<sup>37</sup> 65 Pa.C.S. § 1104(d).

<sup>38</sup> 65 Pa.C.S. § 1109(b).

<sup>39</sup> 65 Pa.C.S. § 1109(f).

RIDGEVIEW ACADEMY 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.

RIDGEVIEW ACADEMY CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

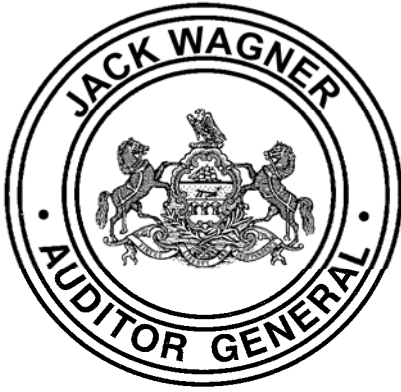
**Finding No. 2 (Continued)**

Response of Management

Management provided a written response agreeing with the finding and stating:

Ridgeview Academy Charter School recognizes the importance of obtaining all of the Statements of Financial Interest from the Board of Trustees. Since the submission process has been improved to eliminate errors, all current members have filed their statements.





RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX I

[UNAUDITED]

**Schedule of Local Revenue**

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>Local Revenue</u></b>			
Earnings on Investments	\$ 24,277	\$ 23,467	\$ 4,341
Gains/Losses on Investments		9,162	
Federal Revenue Received from other			
Public Schools	55,726	70,924	59,184
Contributions and Donations from			
Private Sources	9,031	154	
Receipts for other LEAS in Pennsylvania –			
Education	2,226,646	2,132,381	2,121,897
Other Tuition from Patrons	2,083,256	1,602,180	1,585,723
All other Local Revenues not specified	<u>400</u>	<u>41,354</u>	<u>1,107</u>
<b><u>Total Payments</u></b>	<u><u>\$4,399,336</u></u>	<u><u>\$3,879,622</u></u>	<u><u>\$3,772,252</u></u>

RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX II

[UNAUDITED]

**Schedule of Federal Revenue**

The charter school reported federal revenue of \$292,491, \$421,944 and \$326,692, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

<b><u>FEDERAL REVENUE</u></b>	<u>2006</u>	<u>2005</u>	<u>2004</u>
NCLB (1), Title 1, Improving the Academic Achievement of the Disadvantaged	\$284,149	\$412,385	\$301,955
NCLB (1), Title II, Preparation/Training/Recruitment HQ Teachers/Principal	8,013	7,844	11,839
NCLB (1), Title V, Promoting Informed Parental Choice and Innovative Programs	329	1,715	398
Other Restricted Federal Grants	<u>-</u>	<u>-</u>	<u>12,500</u>
<b><u>TOTAL FEDERAL REVENUE</u></b>	<b><u>\$292,491</u></b>	<b><u>\$421,944</u></b>	<b><u>\$326,692</u></b>

RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX III

[UNAUDITED]

**Schedule of State Revenue**

The charter school reported state revenue of \$382,451, \$409,559, and \$410,304, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>STATE REVENUE</u></b>			
Alternative Education	\$200,200	-	\$257,024
Rentals and Sinking Fund Payments	21,155	\$ 21,112	28,174
Health Services	7,582	8,851	3,774
Social Security and Medicare Taxes	107,798	79,121	79,300
Retirement	45,716	42,235	42,032
Educational Assistance Program	<u>-</u>	<u>258,240</u>	<u>-</u>
<b><u>TOTAL STATE REVENUE</u></b>	<u>\$382,451</u>	<u>\$409,559</u>	<u>\$410,304</u>

RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX IV

List of Sending School Districts  
During the Audit Period

Abington	Albert Gallatin Area	Allentown City
Altoona Area	Ambridge Area	Apollo-Ridge
Armstrong	Baldwin-Whitehall	Beaver Area
Bedford Area	Bellefonte Area	Bellwood-Antis
Bensalem Township	Benton Area	Bentworth
Berlin Brothersvalley	Bermudian Springs	Bethel Park
Bethlehem Center	Big Beaver Falls Area	Big Spring
Blairsville-Saltsburg	Brentwood Borough	Bristol Township
Brownsville	Burgettstown Area	Burrell
Butler Area	California Area	Cambria Heights
Camp Hill	Canon-McMillan	Carlisle Area
Carlynton	Centennial	Central Cambria
Central Dauphin	Central Greene	Chambersburg Area
Charleroi Area	Chartiers-Houston	Chartiers Valley
Chester Upland	Chestnut Ridge	Chichester
Clearfield Area	Coatesville Area	Cocalico
Columbia Borough	Conemaugh Twp. Area	Conemaugh Valley
Conestoga Valley	Conewago Valley	Connellsville Area
Cornwall-Lebanon	Cranberry Area	Crawford Central
Cumberland Valley	Dallastown Area	Derry Area
Donegal	Duquesne City	East Allegheny
East Penn	East Pennsboro Area	Eastern York
Easton Area	Elizabeth Forward	Elk Lake
Ephrata Area	Everett Area	Farrell Area
Forest Hills	Fort Cherry	Franklin Area
Franklin Regional	Frazier	Freedom Area
Freeport Area	Garnet Valley	Gateway
Gettysburg Area	Greater Johnstown	Greater Latrobe
Greensburg Salem	Grove City Area	Halifax Area
Hanover Area	Harrisburg City	Hazelton Area
Hempfield	Hempfield Area	Hermitage
Highlands	Hollidaysburg Area	Homer-Center
Hopewell Area	Huntingdon Area	Indiana Area
Jeannette City	Jefferson-Morgan	Juniata County
Karns City Area	Kennett Consolidated	Keystone Oaks
Kiski Area	Lampeter-Strasburg	Lancaster
Laurel Highlands	Lebanon	Leechburg Area
Ligonier Valley	Littlestown Area	Lower Dauphin
Lower Merion	Manheim Central	Manheim Township
Marion Center Area	McGuffey	McKeesport Area

RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX IV

List of Sending School Districts  
During the Audit Period

Mechanicsburg Area	Myersdale Area	Middletown Area
Midd-West	Mifflin County	Monaca
Monessen City	Montour	Moon Area
Mount Lebanon	Mount Pleasant Area	Mount Union Area
Neshaminy	New Kensington-Arnold	Norristown Area
North Hills	North Penn	North Star
Northern Cambria	Northern Tioga	Northwestern Lehigh
Norwin	Penn-Cambria	Penn Hills
Penn Manor	Penn-Delco	Penndridge
Penns Manor Area	Penn-Trafford	Peters Township
Philadelphia City	Phoenixville Area	Pittsburgh
Portage Area	Pottstown	Purchase Line
Quakertown Community	Reading	Redbank Valley
Reynolds	Ringgold	Riverview
Rochester Area	Rockwood Area	Scranton City
Seneca Valley	Shade-Central City	Shaler Area
Sharon City	Shippensburg Area	Somerset Area
Souderton Area	South Butler County	South Eastern
South Middleton	South Williamsport Area	Southeast Delco
Southeastern Greene	Southern Huntingdon County	Southmoreland
Spring Cove	Spring-Ford Area	State College Area
Steel Valley	Steelton-Highspire	Sto-Rox
Susquehanna Township	Trinity Area	Tunkhannock Area
Tuscarora	Tussey Mountain	Tyrone Area
Uniontown Area	Unionville-Chadds Ford	Upper Darby
Wallenpaupack Area	Warrior Run	Warwick
Washington	Waynesboro Area	West Greene
West Mifflin Area	West Shore	Wilkinsburg Borough
William Penn	Williams Valley	Williamsport Area
Windber Area	Woodland Hills	Wyalusing Area
Wyoming Area	Wyoming Valley West	York City
Yough		

RIDGEVIEW ACADEMY CHARTER SCHOOL  
APPENDIX V

**Description of State Revenue (Source: Pennsylvania Accounting Manual)**

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

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 district 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.

## BUREAU OF SCHOOL AUDITS

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This report was initially distributed to the superintendent of the charter school, the 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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Secretary of Education  
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333 Market Street  
Harrisburg, PA 17126

The Honorable Robin L. Wiessmann  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

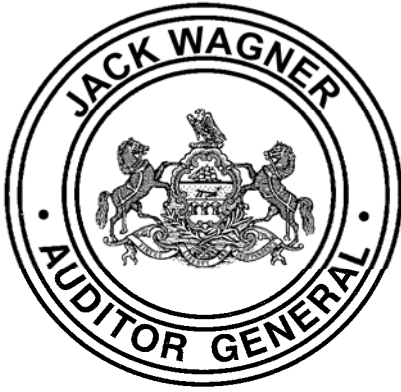
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Department of Education  
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Pennsylvania State Education Association  
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Harrisburg, PA 17105

Dr. David Davare  
Director of Research Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

Ms. Sheri Rowe  
Division Chief  
Department of Education  
Division of Nonpublic, Private and Charter School Services  
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Public School Employees' Retirement System  
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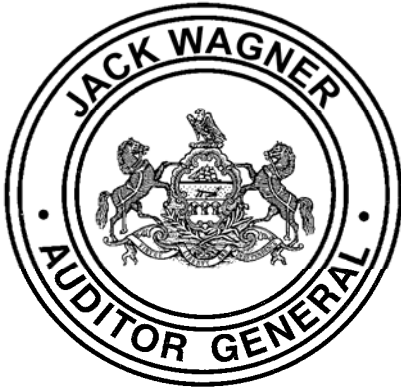
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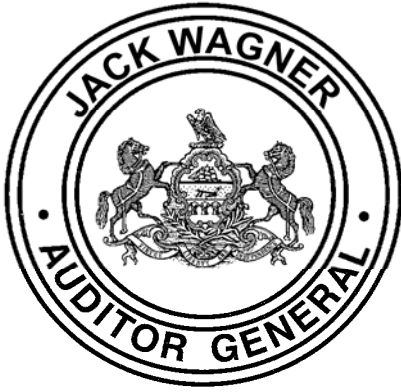
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