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Auditor General DePasquale Says State's Largest Brick-and-Mortar Charter School Must Address Significant Administrative Deficiencies

Audit Shows Charter School Improperly Received Nearly \$1.3 Million in State Lease Reimbursements

HARRISBURG – Auditor General Eugene DePasquale today said an audit of the Chester Community Charter School in Delaware County shows that the school must address significant administrative deficiencies because students are not receiving the education they deserve. He noted that the school received nearly \$1.3 million in improper state lease reimbursements from the Department of Education.

“What we found at Chester Community Charter School raises concerns on many levels,” DePasquale said. “In addition to improperly collecting a huge chunk of taxpayer funding for lease reimbursements, this well-funded charter school seems to disregard even basic school operational requirements. More importantly, the thousands of children who attend this school are being cheated out of a quality education as evidenced by the fact that the school is not meeting standards for academic progress.”

DePasquale noted that many of the results in this audit have been identified in other Pennsylvania charter school audits, including improper lease reimbursements from the Department of Education, failure to meet academic progress standards and problems with teacher and staff certifications. However, several other charter schools in western Pennsylvania recently received audit reports with no findings.

“Not every charter school has these problems,” DePasquale said. “That’s what makes it so concerning, that this charter school, located within miles of one of Pennsylvania’s most distressed school districts, collected nearly \$1.3 million in improper lease reimbursements on top of the more than \$30 million it received in taxpayer funded tuition to educate students. The amount of lease reimbursement is more than twice as much as the combined amount we found earlier this year in six charter schools. Clearly, the charter school lease reimbursement issue is one that must be addressed immediately by the Department of Education and the General Assembly.”

According to Pennsylvania Department of Education (PDE) guidelines, buildings owned by the charter school are not eligible for lease reimbursement payments. Yet, Chester Community Charter School received \$1,276,660 in lease reimbursements between June 30, 2008 and June 30, 2011.

The state audit includes 11 findings of significant noncompliance with state laws and procedures, including:

- employing several special education teachers that were not classified as “highly qualified” as required by the federal No Child Left Behind Act;
- failing to properly record and document charter school board actions in meeting minutes — a violation of state law that could lessen the school’s transparency and accountability to taxpayers;
- failing to comply with open enrollment and lottery selection admission provisions of the Charter School Law;
- improperly requesting reimbursement from the state Department of Health for a certified school nurse whose nursing certificate lapsed;

- inaccurately reporting enrollment data because of a lack of basic internal controls, such as report reconciliations— errors that could result in reduced subsidy payments for school districts sending students to the charter school;
- operating with a charter that had not been updated since the school’s inception 15 years ago — therefore the charter’s legally binding contract does not reflect current operations;
- failing to obtain and timely file with PDE an agreement with pertinent police departments regarding jurisdiction over procedures to be followed in case of an incident on school property; and
- failing to offer a retirement plan to all employees as required by the state Charter School Law.

“While those associated with the management of the Chester Community Charter School are making millions off of the backs of taxpayers, the children this charter school serves are not getting the education required to meet state and federal standards,” DePasquale said.

“The problems identified must be corrected immediately. I urge the Chester Upland School District, which chartered the school, and the Department of Education to immediately correct the serious deficiencies identified in our audit. The more than 2,600 children at this charter school deserve a proper education and taxpayers should demand the highest level of accountability from charter school operators getting rich off their tax dollars.”

To resolve the issues identified in the audit, DePasquale recommended 40 policy and procedural changes, including:

- the Department of Education should immediately seek repayment of the nearly \$1.3 million in improper lease reimbursements;
- immediately review, update and re-execute the policies and procedures for enrollment and lottery processes at the school;
- ensure that all mandated employees are covered by retirement benefits as required by the Charter School Law;
- correct deficiencies in tuition billing and reconciliation processes; and
- improve internal controls over student record data, including ensuring that staff are properly trained on student membership reporting requirements.

Chester Community Charter School is the largest brick-and-mortar charter school in the state. During the 2010-11 school year, the school enrolled 2,664 students from 11 sending school districts, employed 170 teachers, 195 full-time and part-time support personnel, and 12 administrators. The charter school received approximately \$34 million in tuition payments from school districts required to pay for their students attending the charter school.

The Department of the Auditor General’s Bureau of School Audits examines the records of school districts, charter schools, intermediate units, and area vocational-technical schools. The audits — among other things — assess whether or not schools received the state subsidies and reimbursements to which they were entitled, accurately managed taxpayer funds, and complied with ethics codes. The audits also determine whether or not teachers and administrators were properly certified for the positions they held during the audit period.

A full copy of the Chester Community Charter School audit is online at:
www.auditor.gen.state.pa.us/Reports/School.html.

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