



Pennsylvania Department of the

# AUDITOR GENERAL

Facebook: Pennsylvania Auditor General

Twitter: @PaAuditorGen

## News for Immediate Release

Aug. 3, 2016

### Auditor General DePasquale Says PDE Provided More Than \$2.5 Million in Questionable Lease Reimbursements to 9 Charter Schools

*Latest audit shows PDE paid nearly \$400,000 to Propel Charter School System in Allegheny County*

**HARRISBURG** – Auditor General Eugene DePasquale today said an audit of the Propel Charter School System in Allegheny County is another example of the Pennsylvania Department of Education (PDE) diverting millions of dollars from classrooms to the bank accounts of some charter school operators.

The audit of the Propel Charter School System, which covered December 2010 to April 2016, questioned the \$376,921 lease reimbursement provided by PDE because of potential conflicts of interest and related-party transactions between the landlord and the charter school.

Propel Charter School Name	Lease Reimbursement Amount Received		
	2010-11 SY	2011-12 SY	Total
Homestead	\$ 68,893	\$ 68,181	\$ 137,074
Montour	19,089	19,887	38,976
East	46,378	45,694	92,072
McKeesport	53,859	54,940	108,799
<b>Total</b>	<b>\$188,219</b>	<b>\$188,702</b>	<b>\$ 376,921</b>

“The Pennsylvania Department of Education’s own guidelines for the lease reimbursement are clear that buildings owned by the charter school are not eligible,” DePasquale said. “The problem is that PDE makes no effort to verify ownership of the buildings or look for conflicts of interest between the school and related parties. They simply write a check for whatever amount the charter school submits. That is a disservice to Pennsylvania students and taxpayers.


“Given that PDE has the authority to approve the lease reimbursements, they also have the authority to claw-back the funds if there is any indication that the charter school actually owns the buildings through related parties,” he said.

“If PDE takes the time to review the audits we send them, they would realize my team has done the hard work for them,” he said, noting that the U.S. Department of Education, as recently as September 2015, advised states to carefully review “charter school governing boards for conflicts of interest, related party transactions, and appropriate segregation of duties.”

“Since March 2013, I have questioned PDE’s payment of millions of dollars of education funding being diverted to reimburse some charter schools for lease payments.”

The audit of Propel Charter School is the latest in a string of questionable lease

**Dept. of Education Provided**  
**\$2.5 MILLION**  
in Questionable Lease Reimbursements  
to 9 Charter Schools



Charter School	County	Amount	Years Audited
Propel	Allegheny	\$376,921	2010-11 to 2015-16
School Lane	Bucks	\$60,248	2006-07 to 2008-09
Chester Community	Delaware	\$1,276,000	2008-09 to 2010-11
Perseus House CS of Excellence	Erie	\$56,368	2010-11 to 2013-14
Fell	Lackawanna	\$94,266	2006-07 to 2008-09
Roberto Clemente	Lehigh	\$99,123	2010-11 to 2011-12
		\$191,267	2006-07 to 2009-10
Bear Creek Community	Luzerne	\$106,332	2008-09 to 2009-10
Keystone Education Center	Mercer	\$155,411	2010-11 to 2014-15
		\$85,375	2008-09 to 2009-10
Evergreen Community	Monroe	\$20,360	2006-07 to 2008-09
<b>TOTAL:</b>		<b>\$2.5 million</b>	

reimbursements provided by PDE to charter schools across Pennsylvania. In all, DePasquale estimates that since 2013, his team’s audits have identified 9 charter schools that received from PDE a total of \$2,521,671 in questionable lease reimbursements.

“Schools in this state are struggling, and \$2.5 million is a lot of money that could be better spent on classroom education,” DePasquale said, noting the money could help pay for adding more than 40 teachers to classrooms.

“The fact that we let even one cent of that money go to waste is a travesty – and it is indicative of a much larger problem. We have the worst charter school law in the country, and we need to do a complete overhaul, not piecemeal adjustments.”

DePasquale pointed out that nearly one-third of charter school audits completed since 2013 included a finding about PDE providing questionable lease reimbursements.

“The \$2.5 million we identified since 2013 may be just a fraction of the amount PDE has paid in lease reimbursements since the General Assembly permitted it in 2001,” he said. “The total amount PDE paid for questionable charter school lease reimbursements could easily be \$10 to \$15 million if you go back to 2002 when the reimbursements were permitted and no one was checking lease documents.

“Unlike PDE, my team refuses to blindly accept what the charter school tells them,” he said. “We research and comb through the legal documents related to a lease to identify conflicts of interest and related parties.

“In the Propel audit, we found that the bond document filed by the landlord with the Allegheny County Industrial Development Authority identifies the charter school’s founder and executive director as the contact person for the landlord, who, by the way, was the borrower on the financial documents.”

In most of the charter school audits with a questionable lease reimbursement finding, the schools defend the reimbursements by saying that PDE approved the request.

“Despite routinely making recommendations to PDE in our audit lease reimbursement findings, PDE has not taken any actions in response to our findings to claw-back the funds.”

“Not all charter schools abuse the lease reimbursement opportunity and PDE’s rubber-stamp approval policy,” DePasquale said, pointing to four charter schools that lease facilities but where there were no conflicts of interest or related-party transactions.

For example, the audit of the Robert Benjamin Wiley Community Charter School, in Erie last December, found that the school missed \$93,600 in lease reimbursement payments because it missed two filing deadlines with PDE for the 2011-12 and 2012-13 school years.

“In the Benjamin Wiley Charter School audit, we found no potential conflicts of interest or related-party transactions that would make us question the

school’s request for lease reimbursement,” he said, noting that after the audit, the school reported that it filed a lease reimbursement on time for 2013-14 and received \$50,790.

“I want to make sure every available dollar of education money is benefiting students and enhancing learning opportunities,” DePasquale said.

The Propel Charter School audit report is available online at: [www.PaAuditor.gov](http://www.PaAuditor.gov).

###

**Charter Schools with No Questionable Lease Reimbursements**

- [City Charter High School](#), Allegheny
- [Infinity Charter School](#), Dauphin
- [R. Benjamin Wiley](#), Community Charter School, Erie
- [Arts Academy Middle Charter School](#), Lehigh