

PERFORMANCE AUDIT

Robert Benjamin Wiley Community Charter School Erie County, Pennsylvania

December 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mrs. Kathryn Olds & Mr. Pete Russo, Jr.
Co-Chief Executive Officers
Robert Benjamin Wiley Community
Charter School
1446 East Lake Road
Erie, Pennsylvania 16507

Mr. Marc Blount
Board President
Robert Benjamin Wiley Community
Charter School
1446 East Lake Road
Erie, Pennsylvania 16507

Dear Mrs. Olds, Mr. Russo, and Mr. Blount:

We conducted a performance audit of the Robert Benjamin Wiley Community Charter School (Charter School) to determine its compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures (relevant requirements). We also evaluated the application of best practices in the area of school safety. Our audit covered the period October 15, 2014 through October 15, 2015, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2012, 2013, and 2014. 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 four audit findings within this report. A summary of the results is presented in the Executive Summary section of the audit report. These findings include recommendations aimed at the Charter School and a number of different government entities, including the Pennsylvania Department of Education (PDE) and the State Ethics Commission.

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.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

Eugene A. DePasquale
Auditor General

December 15, 2015

cc: **ROBERT BENJAMIN WILEY COMMUNITY CHARTER SCHOOL** Board of Trustees

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Charter School. Our audit sought to answer certain questions regarding the Charter School's application of best practices and compliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures and to determine the status of corrective action taken by the Charter School in response to our prior audit recommendations.

Our audit scope covered the period October 15, 2014 through October 15, 2015, 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, 2012-13, and 2013-14 school years.

Charter School Background

The Charter School, located in Erie County, Pennsylvania, opened in September 1998. It was originally chartered on February 12, 1998, for a period of three years by the School District of the City of Erie. The Charter School's mission states, "The Robert Benjamin Wiley Community Charter School is designed to develop responsible citizens who are prepared to face the challenges of tomorrow. We seek to develop competent students who can compete with students from any school in the country. It is our mission to instill twin attributes of responsibility and discipline in our students so they may succeed in their future endeavors." During the 2013-14 school year, the Charter School provided

educational services to 450 pupils from 5 sending school districts through the employment of 29 teachers, 13 full-time and part-time support personnel, and 5 administrators. The Charter School received \$3.6 million in tuition payments from school districts required to pay for their students attending the Charter School in the 2013-14 school year.

Academic Performance

The Charter School's academic performance is considered underperforming, as demonstrated by its low School Performance Profile (SPP) score of 59.3 percent in the 2013-14 school year. SPP is PDE's current method of providing a quantitative, academic score based upon a 100-point scale for all public schools. A score of 59.3 would be considered an F (60 or below) 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 a 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 did not have a graduating class) or

Graduation (for schools that had a high school graduating class), (2) Academic Performance, which was based on tested students' performance on the Pennsylvania System of School Assessment (PSSA), and (3) Test Participation, which was based on the number of students that participated 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. On August 20, 2013, Pennsylvania was granted a waiver from the NCLB's requirement of achieving 100 percent proficiency in Reading and Math by 2014, so AYP measures were discontinued beginning with the 2012-13 school year.

Audit Conclusion and Results

Our audit found significant noncompliance with certain relevant state laws, regulations, contracts, grant requirements, and administrative procedures, as detailed in the four audit findings within this report.

Finding No. 1: Weaknesses in Board of Trustees' Minutes and Noncompliance with the Sunshine Act and its By-laws.

Our review of the Charter School's Board of Trustees' (Board) meeting minutes from October 12, 2010 through June 2, 2014, noted numerous violations of the Charter School's by-laws and the Sunshine Act. These violations were the result of the Charter School personnel being unaware of the requirements for maintaining board meeting minutes. Failure to adhere to the requirements of the Charter School by-laws and the Sunshine Act lessens the transparency and accountability to the public and could open the Charter School to criticism from the chartering school

districts and the public (see page 14).

Finding No. 2: Members of the Charter School's Board of Trustees Failed to File Statement of Financial Interests or Failed to File Timely Statements in Noncompliance with the Public Official and Employee Ethics Act. Our audit of the Charter School found that members of the Board failed to file Statements of Financial Interest (SFI) and/or failed to file SFIs on a timely basis for the calendar years ending December 31, 2011, 2012, and 2013 (see page 22).

Finding No. 3: Board Secretary and Treasurer Did Not Obtain Surety Bonds as Required by the Public School Code.

Our audit of the Charter School found that the Board Secretary and Treasurer did not obtain surety bonds as required by the Public School Code (PSC) (see page 26).

Finding No. 4: Failure to Timely File Lease Reimbursement Applications Resulted in Lost Revenue. Our audit of the Charter School found the state lease applications were not filed timely due to the transition of personnel. The failure to make timely application resulted in the Charter School not receiving reimbursements totaling \$93,600 for the 2011-12 and 2012-13 school years (see page 28).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Charter School from an audit we conducted of the 2004, 2005, and 2006 school years, we found the Charter School had not taken appropriate corrective action in implementing our recommendations pertaining to the finding regarding the Board failing to file their SFI forms; however, corrective action had been taken pertaining to the observation regarding the

Memorandum of Understanding (MOU) not being updated timely (see page 32).

Background Information on Pennsylvania Charter Schools

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 7th highest charter school student enrollment, and the 10th 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.¹ 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.²

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.³ 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,⁴ and that board must hold at least one public hearing before approving or rejecting the application.⁵ If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,⁶ which is comprised of the Secretary of Education and six members appointed by the Governor with the consent of a majority of all of the members of the Senate.⁷

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A(a).

⁴ *Id.* § 17-1717-A(c).

⁵ *Id.* § 17-1717-A(d).

⁶ *Id.* § 17-1717-A(f).

⁷ 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 years and no more than five years.⁸ 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.⁹

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

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 CSL 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,

⁸ 24 P.S. § 17-1720-A.

⁹ PDE, Basic Education Circular, "Charter Schools," Issued 10/1/2004.

¹⁰ 24 P.S. §§ 17-1703-A, 17-1741-A *et seq.*

¹¹ 24 P.S. § 17-1745-A(d).

¹² *Id.* § 17-1745-A(f)(4).

¹³ 24 P.S. § 17-1741-A(a)(3).

¹⁴ 24 P.S. § 17-1750-A(e).

for the prior school year.¹⁵ 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.¹⁶ The CSL also requires that charter schools bill each sending school district on a monthly basis for students attending the Charter School.¹⁷

Typically, charter schools provide educational services to students from multiple school districts throughout the Commonwealth. For example, a charter school may receive students from ten neighboring, but different, sending school districts. Moreover, students from numerous districts across Pennsylvania attend cyber charter schools.

Under the PSC 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.¹⁸ 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.¹⁹

¹⁵ See 24 P.S. § 17-1725-A(a)(2).

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

¹⁷ See 24 P.S. § 17-1725-A(a)(5).

¹⁸ See 24 P.S. § 25-2591.1. Please note that this provision is contained in the general funding provisions of the PSC and not in the CSL.

¹⁹ Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the PSC and states the following: "For the fiscal year 2003-2004 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

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 LEA management, the Governor, PDE, 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 PSC, 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 October 15, 2014 through October 15, 2015. In addition, the scope of each individual audit objective is detailed below.

Regarding state subsidies and reimbursements, our audit covered the 2011-12, 2012-13, and 2013-14 school years.

For the purposes of our audit work and to be consistent with 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, regulations, third-party studies and best business practices. Our audit focused on assessing the Charter School's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures. Our audit focused primarily on whether the Charter School was in compliance with the PSC²⁰ and CSL.²¹ More specifically, we sought to determine answers to the following questions, which serve as our audit objectives:

- ü Was the Charter School operating in compliance with accountability provisions included in the CSL specific to its approved charter and governance structure?

²⁰ 24 P.S. § 1-101 *et seq.*

²¹ 24 P.S. § 17-1701-A *et seq.*

To address this objective:

- Auditors reviewed the approved charter and any amendments.
 - In addition, auditors reviewed board policies and procedures for the 2011-12, 2012-13, and 2013-14 school years, IRS 990 forms for the 2011, 2012, and 2013 calendar years, and charter school annual reports for the 2011-12, 2012-13, and 2013-14 school years.
- ü Did the Charter School receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program administered by PDE, was its lease agreement approved by its Board, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act (Ethics Act)?²²
- To address this objective, auditors reviewed building ownership documentation, the lease agreement, lease payments, and the Charter School's lease documentation filed with PDE to obtain state reimbursement for the 2011-12, 2012-13, and 2013-14 school years.
- ü Were the Charter School's Board and administrators free from apparent conflicts of interest and in compliance with the CSL, the PSC, the Ethics Act, and the Sunshine Act?
- To address this objective, auditors reviewed SFIs for all board members and administrators, board meeting minutes, management company contract(s), and any known outside relationships with the Charter School and/or its authorizing school district for the period 2011 through 2013 calendar years.
- ü Were at least 75 percent of the Charter School's teachers properly certified pursuant to Section 1724-A of the CSL, and did all of its noncertified teachers in

²² 65 Pa.C.S. § 1101 *et seq.*

core content subjects meet the “highly qualified teacher” requirements under the federal NCLB Act of 2001?

- To address this objective, auditors reviewed and evaluated certification documentation and teacher course schedules for all teachers and administrators for the period July 1, 2013 through November 6, 2014.

ü Did the Charter School require its non-certified professional employees to provide evidence that they are at least 18 years of age and a U.S. citizen pursuant to Section 1724-A(b) of the CSL and that they have a pre-employment medical examination certificate pursuant to Section 1418(a) of the PSC?

- To address this objective, auditors reviewed personnel files and supporting documentation for all non-certified professional employees for the period July 1, 2013 through November 6, 2014.

ü Did the Charter School accurately report its membership numbers to PDE, and were its average daily membership and tuition billings accurate?

To address this objective:

- Auditors reviewed charter school tuition rates and tuition billings for all sending school districts for the 2012-13 school year.
- In addition, auditors reviewed the Charter School’s membership reports, instructional time summaries, entry/withdrawal procedures, and supporting documentation for the 2012-13 school year.

ü Did the Charter School ensure that the membership data it reported to PDE through the Pennsylvania Information Management System was complete, accurate, valid, and reliable for the most current year available?

To address this objective:

- For the 2012-13 school year, auditors randomly selected 10 out of 389 total registered students from the vendor software listing and verified that each child was appropriately registered with the Charter School.
- In addition, auditors verified the school terms reported on the Summary of Child Accounting and verified the school days reported on the Instructional Time Membership Report and matched them to the School Calendar Fact Template for the 2012-13 school year.

ü Did the Charter School provide its employees with a retirement plan, such as the Public School Employees' Retirement System (PSERS), as required by Section 1724-A(c) of the CSL,²³ and were employees enrolled in PSERS eligible to receive plan benefits?

To address this objective:

- Auditors reviewed the approved charter and any amendments.
- In addition, auditors reviewed board meeting minutes, personnel listings, payroll reports, and PSERS wage reports for all employees for the 2012-13 and 2013-14 school years.

ü Did the Charter School take appropriate steps to ensure school safety?

- To address this objective, auditors reviewed a variety of documentation including safety plans, anti-bullying policies, and after action reports to assess whether the Charter School is in compliance with relevant safe schools requirements in the PSC²⁴ and with best practices for ensuring school safety.

²³ 24 P.S. § 17-1724-A(c).

²⁴ 24 P.S. § 13-1301-A *et seq.*

- Ü Did the Charter School’s Board and administration maintain best practices in governing academics and student achievement by developing and executing a plan to improve student academic performance at its failing school building?

To address this objective:

- Auditors considered a variety of school level academic results for the 2007-08 through 2013-14 school years to determine if the Charter School is meeting statewide academic standards established by PDE.²⁵
- Once it was determined that the Charter School is not meeting statewide standards and is considered failing, further review was conducted. This review consisted of conducting interviews with the Co-Chief Executive Officers (CEO) and any other designated employees and reviewing the required School Improvement Plans for the 2014-17 school years to determine if the Charter School has established goals for improving academic performance, is implementing those goals, and is appropriately monitoring the implementation of those goals.

- Ü Did the Charter School take appropriate corrective action to address recommendations made in our prior audit?

To address this objective:

- Auditors interviewed Charter School administrators to determine whether they had taken corrective action.

²⁵ Academic data for the Charter School and its school buildings included a five year trend analysis of AYP results from 2007-08 through 2011-12. PSSA results in Math and Reading for the “all students” group for 2011-12 and 2012-13. SPP scores for 2012-13, and federal accountability designations (i.e. Priority, Focus, Reward, and No Designation) for Title I schools for 2012-13. All of the academic data standards and results we examined originated with PDE.

- Auditors then reviewed documentation to verify that the administration had implemented the prior audit report's recommendations and/or physically observed these changes in person.

Methodology

What are internal controls?

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

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

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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, that we consider to be significant within the context of our audit objectives. 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, state ethics compliance, lease agreements, and student enrollment.
- Items such as the approved charter and any amendments, board meeting minutes, pupil membership records, IRS 990 forms, annual reports, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

To determine the status of our audit recommendations made in a prior audit report released on January 20, 2012, we reviewed the Charter School's response and then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Weaknesses in Board of Trustees' Minutes and Noncompliance with the Sunshine Act and Its By-laws

Criteria relevant to the finding:

Section 1732-A(a) of the CSL, 24 P.S. § 17-1732-A(a), subjects charter schools to specified provisions of the PSC including 24 P.S. § 5-518 which provides in part:

“Every board of directors shall retain a permanent record of the district, the minute book . . .”

Chapter 4 – Preparing Board Minutes of *The School Board Secretary's Handbook* published by the Pennsylvania School Board Secretaries Association identifies items that should be included in official minutes, including:

- Designation of depository(ies) yearly,
- Designation of solicitor and salary or retainer,
- Information regarding bonds for secretary and treasurer,
- Local Auditors report accepted and included, and
- Auditor General's report accepted and included.

Section 17-1716-A(c) of the CSL, 24 P.S. § 17-1716-A(c), requires charter schools to also comply with the Sunshine Act, 65 Pa.C.S. § 701 *et seq.*, which requires written minutes to be kept of all open meetings of agencies and that the minutes shall include the substance of all official actions and a record by individual member of the roll call votes taken.

In an effort to gain an understanding of governance and operations of the Charter School, we reviewed the Charter School's board meeting minutes from October 12, 2010 through June 2, 2014. During the review, we noted numerous violations of the Charter School's by-laws and of the Sunshine Act. These violations were the result of the Charter School personnel being unaware of the requirements for maintaining board meeting minutes. Failure to adhere to the requirements of the Charter School's by-laws and the Sunshine Act lessens the transparency and accountability to the public and could expose the Charter School to criticism from the chartering school districts, PDE, and the public.

Noncompliance with Its Own By-laws

The Charter School's by-laws state, “the business and affairs of the school shall be managed by its Board of Trustees, which shall not be less than 12 nor more than 20 in number, as may from time to time, be fixed by resolution of the Board. Approximately 2/3 of the Board shall serve a four-year term, with elections staggered so that approximately 1/2 of the four-year Board are elected every two years, and approximately 1/3 of the Board shall serve a one-year term.” The by-laws continue on to state, “the executive officers of the school shall be chosen by the Board and shall be a Chairman of the Board, a Vice Chairman of the Board, a Secretary, a Treasurer and such other officers and assistant officers as the needs of the school may require. They shall hold their offices for a term of one year and shall not hold any one office for more than four consecutive years.”

Our review noted that on June 12, 2012, the Board fixed the number of members to nine. However, the same nine members have been on the Board for the last three years with no staggering, and no one member has served a one year term. Additionally, the Board Chairman has remained in office since 2009.

*Criteria relevant to the finding
(continued):*

Section 703 of the Pennsylvania Sunshine Act, 65 Pa.C.S. § 703, provides, in part:

“Executive Session is a meeting from which the public is excluded, although the agency may admit those persons necessary to carry out the purpose of the meeting.”

In addition, Section 703 of the Sunshine Act also defines “Public notice,” as follows: “(1) For a meeting: (i) Publication of notice of the place, date and time of a meeting in a newspaper of general circulation, as defined by 45 Pa.C.S. § 101 (relating to definitions), which is published and circulated in the political subdivision where the meeting will be held, or in a newspaper of general circulation which has a bona fide paid circulation in the political subdivision equal to or greater than any newspaper published in the political subdivision. (ii) Posting a notice of the place, date and time of a meeting prominently at the principal office of the agency holding the meeting or at the public building in which the meeting is to be held. (iii) Giving notice to parties under section 709(c) (relating to public notice). (2) For a recessed or reconvened meeting: (i) Posting a notice of the place, date and time of the meeting prominently at the principal office of the agency holding the meeting or at the public building in which the meeting is to be held. (ii) Giving notice to parties under section 709(c).”

Noncompliance with the Sunshine Act

Our audit found that the Charter School failed to comply with provisions of the Sunshine Act related to executive sessions. Section 708(b) of the Sunshine Act requires executive sessions to be announced at an open meeting. Furthermore, according to this same subsection of the Sunshine Act, the reason for the executive session must be announced immediately prior to, or subsequent to, the session.

The General Assembly passed the Sunshine Act to ensure the right of its citizens to have notice of, and the right to attend, all meetings of agencies at which any agency business is discussed or acted upon. The General Assembly determined that the public had the right to be present at all meetings of agencies and to witness the deliberation, policy formulation, and decision-making. In addition, the General Assembly found this access to be vital to the enhancement and proper functioning of the democratic process. Moreover, it found that “secrecy in public affairs undermines the faith in public in government and the effectiveness in fulfilling its role in a democratic society.”

The Sunshine Act permits executive sessions to be held for one or more of the following six specific reasons:

- The employment of an individual and other personnel matters.
- To consider matters related to negotiation or arbitration of a collective bargaining agreement.
- To consider purchase and lease of real estate property.
- To consult with an attorney in connection with litigation.
- To consider information which is protected by a lawful privilege or otherwise protected by the law.
- To consider matters of academic admission or standings.

*Criteria relevant to the finding
(continued):*

Further, Section 708 of the Sunshine Act, 65 Pa.C.S. § 708, provides, in part:

“Section 708 – Executive sessions:

(c) Limitation. Official action on discussions held pursuant to subsection (a) shall be taken at an open meeting. Nothing in this section or Section 700 shall be construed to require that any meeting be closed to the public, nor shall any executive session be used as a subterfuge to defeat the purposes of Section 704.”

Section 710.1 of the Sunshine Act, 65 Pa.C.S. § 710.1, also provides, in part:

“Section 710.1 – Public Participation:

(c) Objection. Any person has the right to raise any objection at any time to a perceived violation of this act at any meeting of a board or council of a political subdivision or any authority created by a political subdivision.”

Finally, the Sunshine Act, 65 Pa. C.S. § 702 provides, in part:

“(1) (i) publication of notice of the place, date and time of a meeting in a newspaper of general circulation, as defined by 45 P.S. § 101 (relating to definitions) . . .”

We found the Board did not comply with the portion of the Sunshine Act related to Executive Sessions on two occasions. First, the Board held an Executive Session for a reason not permissible by the Sunshine Act, and second, an Executive Session was held without stating the purpose of the session.

Public Notice of Regular Meetings

It is a requirement of the Sunshine Act that meetings be publicly advertised. However, the Charter School could not provide documentation that the meetings for the 2012, 2013, and 2014 calendar years were properly advertised.

Lack of Permanently Bound and Sequentially Numbered Minutes

Our review of the board minute books for the 2012, 2013, and 2014 calendar years found that none of the board minute books were permanently bound or had sequentially numbered pages. The minutes were kept in a three-ring binder with no page numbers.

Good business practice dictates that the official board minute books should be bound and sequentially numbered.

Permanently binding minutes ensures that pages cannot be removed or replaced. Sequential page numbering ensures the minutes are complete and nothing has been removed.

Without these practices there is an increased risk that this important information will not be maintained accurately or completely.

While all of these items may not be specifically required by law, they are consistent with best business practices for keeping board minutes. As such, the Charter School’s failure to adequately record and document actions lessens the transparency and accountability to the public.

Recommendations

The *Robert Benjamin Wiley Community Charter School* should:

1. Ensure compliance with the Charter School’s approved charter and by-laws.
2. Ensure personnel responsible for preparing the board meeting minutes are properly trained and understand the Sunshine Act and the CSL.
3. Ensure that the board meeting minutes are complete, permanently bound, and include sequentially numbered pages.
4. Adhere to the provisions in accordance with the Sunshine Act and provide public notice of all rescheduled public meetings.

Management Response

Management stated the following:

The Charter School agrees with the finding and detailed below plans to address each of the recommendations.

“1. Ensure Compliance with the School’s approved Charter and By-Laws.

- A. Number of Trustees – Length of Service. The School recognizes that it had fewer than twelve members at certain times reviewed during the audit. However, the Charter School Appeals Board has recognized that a situation in which fewer Trustees serve than specified in the bylaws is only relevant if it negatively impacts the Charter School’s operations. The Charter School Appeals Board also recognizes that the Charter School cannot force anyone to become a member of its Board of Trustees. Finally, neither periodic vacancies nor members serving longer than the charter specifies rise to the level of a material violation of the Charter. Fell Charter School, Docket No. CAB 2007-04, pp. 10-11.

- B. The School strives to be certain that the individuals who serve as Trustees are committed to its mission and have the proper experience and judgment to serve in this important capacity. The School feels it is more important to find the right individuals to serve as Trustees rather than to simply select individuals in order to fill the number of seats on the Board of Trustees.

- C. With respect to purported violations of the Sunshine Act, the School's practice is consistent with the Pennsylvania Supreme Court's decision in Smith v. Township of Richmond, 82 A.3d 407 (Pa. 2013). In that case, the Pennsylvania Supreme Court found that it was appropriate for the Township Supervisors to meet in "executive sessions" for the Supervisors to ask questions and to obtain information. (See pages 409-410). In that case, the Pennsylvania School Board Association argued that School Boards must sometimes obtain information in a confidential setting to help them reach acceptable decisions on sensitive topics, and the ability to do this effectively would be impaired if informational gatherings were required to be opened to the press and the public. (See page 414).

- D. Nothing in the draft report suggests that deliberations occurred during the two sessions described therein, and no deliberations did in fact occur. Therefore, no violation of the Sunshine Act occurred. However, to avoid this practice from being raised in future audits, the Charter School will change the title of these sessions to "Information Sessions" instead of "Executive Sessions."

2. *Ensure personnel responsible for preparing the Board meeting minutes are properly trained and understand the Sunshine Act and the Charter School Law.*

The Executive Assistant who serves as the Secretary (“Secretary”) for the Board meetings has received additional training on both the Sunshine Act and the Charter School Law. We have directed the Secretary to insure that she is aware of the reason for an executive session, and clarify with the Chair and the Solicitor prior to the session so that the reason can be included in the minutes. The Solicitor retains the responsibility for insuring that the reason for the executive session is in compliance with the Sunshine Act and Charter School Law.

3. *Ensure that the Board meeting minutes are complete, permanently bound and include sequentially numbered pages.*

Board Minutes for 2014-15 school year have been permanently bound. Board minutes for previous years will be bound during month of October.

4. *Adhere to the permitted reasons for an executive session in accordance with the Sunshine Act.*

As set forth above, we have directed the Secretary to insure that she is aware of the reason for an executive session, and clarify with the Chair and the Solicitor prior to the session so that the reason can be included in the minutes. The Solicitor retains the responsibility for insuring that the reason for the executive session is in compliance with Sunshine Act and Charter School Law.

5. *Adhere to the provisions in accordance with the Sunshine Act and provide public notice of all rescheduled public meetings.*

The responsibility for insuring public notice of all scheduled and rescheduled public meetings has now been assigned to the Secretary. The Board of Trustees Calendar is maintained electronically by the Secretary and key dates, including dates for the annual advertisement of public meetings. Copies of ads printed in local newspaper are kept on file.”

Auditor Conclusion

We commend the Charter School for providing a detailed response.

With regard to comment A, we are aware that the Sunshine Act requires only that the sitting (i.e., those “then in office”) board members be counted towards a Quorum. However, our review noted that the Board operated without a minimum of at least nine members (bylaw change, effective June 12, 2012) at many of the meetings during the audit period. Therefore, as a best practice, we recommend that the Charter School and its Board make a concerted effort to recruit as many suitable board members as possible to be more consistent with its present by-laws.

As to comment B, we applaud the Charter School for its commitment to finding the best possible board members. However, the Charter School should also endeavor to have a fully operational board with at least a nine member composition as required by its current by-laws.

Comments C and D noted the Board was permitted to hold informational gatherings. We agree with the Charter School that it is authorized to have a closed-door gathering for the sole purpose of obtaining information and not involving any agency business, official action, or discussions by the trustees as addressed in the Supreme Court of Pennsylvania’s recent decision in *Smith v. Township of Richmond*.

However, it is important to note that the Supreme Court made a major distinction between such gatherings and a “meeting” stating that the term “‘meeting’ has a specific, relevant definition under the governing statute.” See 623 Pa. 209, 212, 82 A.3d 407, 410, FN 1. An “executive session” is held during a “meeting” as both terms are specifically defined in the Sunshine Act. The comment that no deliberations occurred would suggest that no violation of the Sunshine Act was committed. We would strenuously disagree because it is clear that at least two of the Board’s “executive sessions” did involve more than purely information gathering including the deliberation of agency business, official action, and discussions by the trustees. First, the Board held an Executive Session for a reason not

permissible by the Sunshine Act, and second, an Executive Session was held without stating the purpose of the session.

We stand by our audit results, and we will follow up on the Charter School's corrective actions during our next cyclical audit of the Charter School.

Finding No. 2

Members of the Charter School's Board of Trustees Failed to File Statements of Financial Interest or Failed to File Timely Statements in Noncompliance with the Public Official and Employee Ethics Act

Criteria relevant to the finding:

Section 1715-A of the CSL, 24 P.S. § 17-1715-A, states that:

“Charter schools shall be required to comply with the following provisions . . .

(11) Trustees of the charter school shall be public officials.”

When enacting the 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 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(a)).

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

Our audit of the Charter School found that members of the Board failed to file SFIs or failed to file SFIs as required by the Public Official and Employee Ethics Act (Ethics Act) in a timely manner for the calendar years ending December 31, 2011, 2012, and 2013.

It should be noted that our prior audit found similar errors for the calendar years ending December 31, 2003, 2004, 2005, and 2006. A finding was presented to the Charter School at that time. The CEOs could not provide an explanation as to why the SFIs were not completed by the Board and noted further that the SFIs are placed on the agenda for the board meeting in January. The SFI form is distributed at the meeting and the Board is given a deadline for completion.

The chart below details the exceptions noted in the current audit:

Board of Trustees			
Calendar Year	# of Trustees	Failed to File	Filed Late
2011	11	2	1
2012	9	3	0
2013	9	0	2

Board members and administrators, including CEOs and all other employees of a charter school who by virtue of their positions exercise management or operational oversight responsibilities, are considered “public officials” under the CSL and are, therefore, subject to the Ethics Act.

SFIs are intended to provide those charged with governance with information about the existence or nonexistence of relationships between public officials and parties with whom the charter school transacts business.

Criteria relevant to the finding (continued):

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required SFIs, 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 [SFI] . . .”

Section 1104(e) of the Ethics Act, 65 Pa.C.S. § 1104(e) states, in pertinent part:

“All [SFIs]...shall be made available for public inspection . . .”

Section 1109(b) of the Ethics Act, 65 Pa.C.S. § 1109(b), provides that any person who is required to file a cal Intersts 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.

Section 1109(f), 65 Pa.C.S. § 1109(f), provides, in pertinent part, that any person who is required to file a SFI but fails to do so in a timely manner or who files a deficient SFI 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 or \$250.

The Charter School’s failure to maintain the required SFIs for all board members means that this information is not available for public inspection and copying as required under Section 1104(e) of the Ethics Act. Consequently, members of the general public and others, such as the chartering school district, would not be provided with complete and accurate information regarding financial disclosures and potential conflicts of interest involving the Charter School’s board members.

Public office is a public trust sustained by assuring the taxpayers of the impartiality and honesty of public officials and public employees. Accordingly, the Ethics Act requires all candidates for public office, public officials, and certain public employees to annually complete a SFI for the preceding calendar year, by no later than May 1st of each year they hold their positions and the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the SFIs that currently or potentially create conflicts of interest with public duties. When a public official does not properly file a required disclosure, the public and others cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public’s trust. In addition, an individual’s failure to file and/or failure to file complete and accurate SFIs may constiute violations of the Ethics Act and subject the individual to fines and/or penalties.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and whatever action it deems necessary.

Recommendations

The *Robert Benjamin Wiley Community Charter School* should:

1. Seek the advice of its solicitor and the Pennsylvania State Ethics Commission in regard to the Board’s responsibility when board members fail to file a SFI.

2. Develop a review process of established procedures to ensure that all individuals required to file their SFI forms do so in compliance with the Ethics Act.

Management Response

Management stated the following:

“The Charter School recognizes the obligation of its Trustees and Public Officials to file statements of financial interest. However, the Commonwealth Court has determined that the failure to file Statements of Financial Interest is a failure of the individuals involved that is not attributable to the Charter School itself. School District of City of York v. Lincoln Charter School, 889 A.2d 1286 n.7 (Pa. Commw. 2006)

The *Robert Benjamin Wiley Community Charter School* should:

1. *Seek the advice of its solicitor and the Pennsylvania State Ethics Commission in regard to the Board’s responsibility when board members fail to file Statements of Financial Interest.*

Charter School Management has sought the advice of our solicitor. As noted above, we are in agreement with the responsibility of Trustees and management staff classified as public officials to file statements of financial interest. Our past practice has been for our Solicitor to provide Governance training on this topic to Trustees annually. We will continue this practice.

2. *Develop a review process of established procedures to ensure that all individuals required to file their Statements of Financial Interest forms do so in compliance with the Ethics Act.*

The Charter School recognizes the need to have an effective process for filing and maintaining the Statements of Financial Interest. Going forward, the task of collecting Statements of Financial Interest from Trustees and Public Officials is being assigned to the School’s Solicitor for oversight. This process will include inclusion of annual training on the Ethics Act, issuance of Ethics Act forms at January Board meeting, written reminders to those trustees

who have not returned a completed Statement of Financial Interest by April 1, and more frequent reminders after April 15.”

Auditor Conclusion

While filing SFI forms is the individual’s responsibility, we believe that it would be a good governance practice for the Charter School to implement procedures to ensure that all of its public officials and employees required to submit an SFI have not only done so but that the SFIs are always submitted in a timely manner. We do commend the Charter School for planning to implement procedures to ensure that all required SFIs will be collected in the future.

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

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

Finding No. 3

Board Secretary and Treasurer Did Not Obtain Surety Bonds as Required by the Public School Code

Criteria relevant to the finding:

Sections 1732-A of the CSL, 24 P.S. § 17-1732-A, subjects charter schools to specified provisions of the PSC including Sections 431 and 436 of the PSC, 24 P.S. §§ 4-431 and 4-436.

Section 431 of the PSC, 24 P.S. 4-431, states, in part:

“Before he enters upon duties of his office the secretary of the board of school directors shall furnish to the school district, for the faithful performance of his duties, a bond, in such amount and with such surety or sureties as may be required of him, and approved by the board of directors . . .”

Section 436 of the PSC, 24 P.S. 4-436, states, in part:

“Every person elected treasurer . . . shall, before entering the duties of his office, furnish the school district a proper bond, in such amount and with corporate surety as the board of directors therein may approve, conditioned for the faithful performance of his duties as school treasurer . . .”

Our audit of the Charter School found that the Board Secretary and the Treasurer did not obtain surety bonds, as required by the PSC.

A requirement for being elected to the position of Board Secretary and/or Treasurer is to operate in a manner that is honest and integral to the Charter School. If they violate that agreement, the bond holds them accountable for restitution and legal expenses.

The failure to have these two positions appropriately bonded was due to the Charter School’s belief that the positions could be covered by provisions included in their commercial crime insurance policy and that no other requirement was needed.

By not having the positions bonded, the Charter School may not be able to recoup any financial loss to the persons serving in these positions.

Recommendation

The *Robert Benjamin Wiley Community Charter School* should:

Obtain the bonds for the Board Secretary and Treasurer in accordance with the CSL.

Management Response

Management stated the following:

“The School disagrees with this finding because the required liability coverage which could otherwise be obtained by the bond specified in Sections 4-431 and 4-436 of the Public School Code is provided under the School’s Liability Insurance Policy and Directors and Officers Insurance Policy. In many school districts, the secretary and treasurer are separate from the Board of Directors. They are either employees of the School District performing tasks not covered by the liability insurance policy, or a private CPA who provides services to the

School District who is not covered by the School District's insurance policy.

With respect to the School, the Board Secretary and Board Treasurer are members of the Board of Trustees. As such, they are covered under the School's Directors and Officers Insurance. Nothing in the Charter School law requires charter schools to obtain duplicate insurance coverage for the same acts or omissions. In this environment in which public school financial resources are tight, charter schools should be permitted to obtain the necessary insurance coverage in a cost effective manner, even if the insurance has a different name than the name stated in the statute.

The School's CEO met with the School's Insurance Agent in July and August of 2015. The agent was directed to increase Liability and Directors and Officer's Insurance Policy. The CEO's have directed the agent to research bonds recommended by the Audit. We will seek specifics from the Auditor General Team as to which entities would be the obligee of the bond in order to determine what potential losses we would be insuring against."

Auditor Conclusion

While the Charter School's "Liability Insurance Policy and Directors and Officers Insurance Policy" may very well cover the Board Secretary and Board Treasurer, it does not in any way displace the PSC bonding requirement. The PSC explicitly provides that, before entering the duties of office, each official position shall furnish faithful performance bonds.

The Charter School did not provide evidence from the underwriters or agent ensuring that the Board Secretary and Board Treasurer positions were covered by the current policies in lieu of specific bond to ensure the faithful performance of his duties.

Therefore, the finding will stand as written.

Finding No. 4

Failure to Timely File Lease Reimbursement Applications Resulted in Lost Revenue

Criteria relevant to the finding:

Section 2574.3(a) of the PSC, 24 P.S. § 25-2574.3(a), states that:

“For leases of buildings or portions of buildings for charter school use which have been approved by the Secretary of Education no or after July 1, 2001, Department of Education shall calculate an approved reimbursable annual rental charge.”

“Approved reimbursable annual rental for each approved leases of buildings or portions of buildings for charter school use shall be the lesser of (i) the annual rental payable under the provisions of the approved lease agreement, or (ii) the product of the enrollment as determined by the Department of Education, times one hundred sixty dollars (\$160) for elementary school, two hundred twenty dollars (\$220) for secondary schools, or two hundred seventy dollars (\$270) for area vocational-technical schools. The Commonwealth shall pay annually for the school year 2001-2002 and each school year thereafter to each charter school which leases with the approval of the Department of Education building or portions of buildings for charter school use under these provisions an amount determined by multiplying the aid ratio of the charter school by the approved reimbursable annual rental.”

Our audit of the Charter School found the state lease applications were not filed timely due to the transition of personnel resulting in the Charter School not receiving reimbursements totaling \$93,600 for the 2011-12 and 2012-13 school years.

To qualify for lease reimbursement, a charter school must be: (1) a Pennsylvania approved charter school and (2) have a signed lease agreement for rental of a building and the charter school must use the leased building for educational purposes.

On July 1, 2011, the Charter School entered into a five-year lease agreement for the facility used to operate the charter school program.

To receive reimbursement, the Charter School must submit an application for approval of charter school lease (PDE-418) which was to be submitted to PDE by May 1, 2012, for the 2011-12 school year and by June 21, 2013, for the 2012-13 school year.

Once an approval has been granted by PDE, the Charter School is advised of the permanent reimbursable percentage to be used in the calculation of the Charter School’s lease reimbursement.

At the conclusion of the school year, after all lease payments have been made, the Charter School must submit an application for reimbursement of charter school lease form (PDE-419). We found that the Charter School’s outstanding lease reimbursement applications equaled \$93,600, broken down as follows:

School Year	Total Reimbursable Lease Costs
2011-12	\$46,627
2012-13	<u>46,973</u>
	<u>\$93,600</u>

We found that the Charter School submitted the 2011-12 school year's PDE-418 on April 10, 2012, before the required submission date, and on June 26, 2012, the Charter School received PDE's permanent reimbursable percentage. However, the application for reimbursement was not submitted until two years after the conclusion of the 2011-12 school year.

For the 2012-13 school year, we could not determine if the approval form was submitted on time because the Charter School did not have a copy on file and was unable to obtain a copy from PDE. We did note that PDE's permanent percentage calculation was provided to the Charter School on July 22, 2014, a full year after the conclusion of the 2012-13 school year. The subsequent reimbursement application was completed on October 31, 2014.

Charter School personnel have been in communication with PDE representatives and have been told that reimbursement is not guaranteed. Instructions for the completion of the PDE-418 clearly state that any PDE-418 forms and verification statements received after the submission date will not be processed and the charter school will not receive any lease reimbursement for the reimbursement year.

As of October 15, 2015, the Charter School still has not received the outstanding reimbursement.

It should be noted that the Charter School filed forms PDE-418 and PDE-419 timely for the 2013-14 school year.

Recommendations

The *Robert Benjamin Wiley Community Charter School* should:

Establish a formal, written procedure for the filing of lease applications. This should include deadlines when various actions should take place and what actions are to be taken if a deadline is not met.

Management Response

Management stated the following:

“The Charter School agrees with the finding for the year indicated in the audit. The Charter School successfully completed the Lease Reimbursement Application for 2013-14 and received the reimbursement.

The Charter School successfully completed the Lease Reimbursement Application for 2014-15 and received from PDE the Lease Reimbursement Percent statement on August 7, 2015.

Establish a formal, written procedure for the filing of lease applications. This should include deadlines when various actions should take place and what actions are to be taken if a deadline is not met.

The Charter School has established a formal written procedure for filing of lease applications. (Below)

Robert Benjamin Wiley Community Charter School
Lease Reimbursement Procedure:

1. Director of Finance and CEOs note on annual financial calendar date of May 1st.
2. CEO will forward PDE letter on lease reimbursement to Finance Director within 1 week of receipt.
3. If Finance Director does not have copy of PDE Lease Reimbursement letter from CEOs by May 30th, Finance Director will notify CEOs and CEO's will determine if there is need to contact additional PDE staff and or Auditor General's office.
4. If program has changed, CEOs designate Finance Director to research changes and provide updates to CEOs by June 15th.
5. Upon receipt of letter from PDE advising possible eligibility for Lease Reimbursement Program, CEO receiving copy of the Lease Reimbursement Program Letter forwards copy to Finance Director and Co-CEO. (historically May of program year.)

6. Finance Director will include report to Board at the June Finance meeting of progress toward lease reimbursement application.
7. Finance Director notes due date for application on Finance Calendar (Historically mid-July of program year.)
8. Finance Director completes required forms.
9. CEOs provide Chief Executive Officer Verification Statement.
10. Finance Director forwards copy of Lease Reimbursement Application to PDE via certified mail.
11. Finance Director files Application and verification of PDE receipt in appropriate Charter School location.
12. CEOs forward to Finance Director copies of communication from PDE of Reimbursement amount and approval date.
13. Finance Director reports receipt of reimbursable percent/amount to Board of Trustees and meeting following receipt from PDE.
14. Failure on part of staff to follow these procedures will be reported to the Board of Trustees and will result in disciplinary action.”

Auditor Conclusion

We are pleased that the Charter School has put in place corrective actions to ensure the timely filing of future lease reimbursement applications.

We will follow up on the Charter School’s corrective actions during our next cyclical audit of the Charter School.

Status of Prior Audit Findings and Observations

Our prior audit of the Charter School released on November 14, 2008, resulted in one reported finding and one observation. The finding pertained to the Board failing to file their SFIs, and the observation pertained to the MOU not being updated timely. As part of our current audit, we determined the status of corrective action taken by the Charter School to implement our prior recommendations. We performed audit procedures and interviewed the Charter School's personnel regarding the prior finding and observation. As shown below, we found that the Charter School did not implement our recommendations related to the filing of SFI forms but did implement our recommendations related to updating the MOU.

Auditor General Performance Audit Report Released on November 14, 2008

Prior Finding: Board Members Failed to File Statement of Financial Interests Forms

Prior Finding
Summary:

Our prior audit of the Charter School records found that three members of the Board failed to file SFIs for the year ended December 31, 2006. In addition, two members failed to file for 2005, one member failed to file for 2004, and four members failed to file for 2003.

Prior
Recommendations:

Our prior audit finding recommended that the Charter School:

1. Seek the advice of its solicitor in regard to the Board's responsibility when a board member fails to file a SFI.
2. Develop procedures to ensure that all individuals required to file SFIs do so in compliance with the Ethics Act.

Current Status:

During our current audit, we found that the Charter School did not implement the recommendations (see Finding No. 2 in the current report).

Prior Observation: Memorandum of Understanding Not Updated Timely

Prior Observation
Summary:

Our prior review of the Charter School's record found that the Charter School had on file a properly signed MOU between itself and a local law enforcement agency. However, the MOU had not been updated since April 18, 2002.

Prior

Recommendations: Our prior audit observation recommended that the Charter School:

1. In consultation with the Charter School solicitor, review and update the current MOU between itself and its local law enforcement agencies.
2. Adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status:

During our current audit, we found that the Charter School did implement the recommendations. The Charter School's MOU was updated with the local police department on August 11, 2009, and again on July 1, 2013.

Distribution List

This report was initially distributed to the Co-Chief Executive Officers of the Charter School, the Board of Trustees, and the following stakeholders:

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