

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION

BLAIR COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

JULY 2009

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Richard Bernazzoli, Board President
Central Pennsylvania Digital Learning Foundation
1500 Fourth Avenue
Altoona, Pennsylvania 16602

Dear Governor Rendell and Mr. Bernazzoli:

We have conducted a performance audit of the Central Pennsylvania Digital Learning Foundation 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 Central Pennsylvania Digital Learning Foundation, 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 indicated that, in all significant respects, the Central Pennsylvania Digital Learning Foundation complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

July 1, 2009

cc: **CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION** Board of
Trustees Members



CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
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.¹ 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.²

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.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 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.⁷

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

¹ 24 P.S. § 17-1702-A.

² Id.

³ 24 P.S. § 17-1717-A (a).

⁴ 24 P.S. § 17-1717-A (c).

⁵ 24 P.S. § 17-1717-A (d).

⁶ 24 P.S. § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

⁸ 24 P.S. § 17-1720-A.

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

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
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.¹⁰ 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.¹¹ There are 127 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.¹² According to DE, nearly 67,121 children are enrolled in these schools.¹³

¹⁰ 24 P.S. § 17-1703-A.

¹¹ 24 P.S. § 17-1745-A (a), (f).

¹² DE expects the total number of charter schools to increase by five to seven for the 2007-08 school year based on new charter school applications pending final approval.

¹³ Department of Education Web site at http://www.pde.state.pa.us/charter_schools/site/default.asp.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Central Pennsylvania Digital Learning Foundation, located in Blair County, opened in August of 2002. The Central Pennsylvania Digital Learning Foundation was originally chartered on February 11, 2002, for a period of five years by the Altoona Area School District. The charter was renewed on October 17, 2007 for a period of 5 years.

According to the charter school's mission statement, the Central Pennsylvania Digital Learning Foundation engages its students in a highly motivational, student-centered educational program that relies on the basic foundation of educational principles while utilizing the latest information and communications technology to promote student achievement while fostering higher order thinking and problem-solving skills. The Central Pennsylvania Digital Learning Foundation interacts with students via technology but also uses technology as a way to teach students to conduct in-depth research, to collaborate with other students and faculty, and to seek guidance from experts around the world.

During the year ended June 30, 2006, the Central Pennsylvania Digital Learning Foundation provided educational services to 217 students from 64 sending school districts through the employment of 3 administrators, 31 teachers, and 6 full-time and part-time support personnel. The cyber charter school also provided educational services to approximately 211 students during the 2004-05 school year, and 216 students during the 2003-04 school year.

Expenditures for the school years¹⁴ 2005-06, 2004-05 and 2003-04 were \$1,123,181, \$1,147,746 and \$915,240, respectively. Revenues of \$1,389,360, \$1,217,144 and \$1,060,895 supporting these expenditures were derived from local, state, and federal sources for the 2005-06, 2004-05 and 2003-04 school years, respectively (see Summary of Charter School Revenue, page 7). State revenue was received in the form of reimbursements for other program subsidies, health services, Social Security and Medicare Taxes, and retirement obligations (see Appendix II Schedule of State Revenue, page 14).

¹⁴ A "school year" is synonymous to a "fiscal year" and covers the time period from July 1st to June 30th.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
BACKGROUND

Background (Continued)

The cyber charter school derives the majority of its operating revenue from the school districts whose students attend the cyber charter school. These sending school districts are required by Section 1725-A of the Charter School Law¹⁵ and instructions from the Department of Education to provide the cyber charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,¹⁶ 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 cyber charter schools). This funding calculation is to be paid to the cyber charter school by the sending school districts, based on the actual ADM of their students who attend the cyber charter school.

¹⁵ 24 P.S. § 17-1725-A.

¹⁶ Charter schools receive additional funding for special education students as calculated on the basis of 24 P.S. § 17-1725-A(a)(3).

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
BACKGROUND

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

<u>CHARTER SCHOOL REVENUES</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Revenue*	\$1,356,238	\$1,191,592	\$1,040,637
State Revenue	31,622	23,577	20,258
Other Financing Sources **	<u>1,500</u>	<u>1,975</u>	<u>-</u>
<u>TOTAL REVENUE</u>	<u>\$1,389,360</u>	<u>\$1,217,144</u>	<u>\$1,060,895</u>

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

**Other Financing Sources includes sale or compensation for loss of fixed assets.

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

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

The objective of our audit was to determine if the Central Pennsylvania Digital Learning Foundation complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures pertaining to cyber charter schools in Pennsylvania. Some examples of the objectives included in our audit of the Central Pennsylvania Digital Learning Foundation were:

- to determine overall compliance with the Public School Code of 1949¹⁷ (Code) and the Charter School Law (Law);¹⁸
- to determine whether at least 75 percent of the cyber 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;¹⁹
- to determine whether the cyber charter school complied with Sections 1109 and 1209 of the Code,²⁰ to which cyber charter schools are made subject by Section 1724-A(b) of the Law,²¹ requiring that non-certified professional employees of the cyber charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the cyber charter school,
- to determine whether the cyber 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;²²
- to verify membership numbers reported to Department of Education and determine whether average daily membership and tuition billings were accurate;

¹⁷ 24 P.S. § 1-101 *et seq.*

¹⁸ 24 P.S. § 17-1701-A *et seq.*

¹⁹ 24 P.S. § 17-1724-A(a).

²⁰ 24 P.S. §§ 11-1109 and 12-1209.

²¹ 24 P.S. § 17-1724-A(b).

²² 24 P.S. § 17-1715-A(9).

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE (Continued)

- to determine whether the cyber charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code²³ and Chapter 11 of the State Board of Education Regulations²⁴ (Regulations) and, if not, whether the cyber 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 Regulations;²⁵
- to determine whether each of the cyber 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 Act²⁶ (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 complied with Section 1303-A of the Code²⁷ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- to determine whether the cyber charter school is in compliance with Section 1724-A(c) of the Law²⁸ requiring that all employees of the cyber charter school be enrolled in the Public School Employees' Retirement System at the time of filing the cyber 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 determine whether the charter school is in compliance with Section 1728-A of the Law²⁹ requiring each charter school to assess whether it is meeting the goals of its charter and to submit a report of its assessment to DE no later than August 1 of each year.

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

²³ 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).)

²⁴ 22 Pa. Code, Chapter 11.

²⁵ 22 Pa. Code § 11.24.

²⁶ 65 Pa.C.S. § 1101 *et seq.*

²⁷ 24 P.S. § 13-1303-A(c).

²⁸ 24 P.S. § 17-1724-A(c).

²⁹ 24 P.S. § 17-1728-A.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

METHODOLOGY

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

The proper administration of a cyber charter school requires its board of trustees to establish and maintain internal controls to provide reasonable assurances that specific cyber charter school objectives will be achieved. Cyber charter school trustees are responsible for the adoption and use of policies and procedures that promote the economical and efficient execution of its assigned duties and responsibilities. In completing our audit, we obtained an understanding of the cyber charter school's internal controls as they relate to the cyber 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.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT

CONCLUSION

The results of our tests indicate that, with respect to the audit objectives and items tested, the Central Pennsylvania Digital Learning Foundation complied with most of the applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. Specifically, we determined that Central Pennsylvania Digital Learning Foundation met the following provisions:

- the cyber charter school demonstrated that at least 75 percent of the cyber 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;³⁰
- the cyber charter school complied with Sections 1109 and 1209 of the Code,³¹ to which cyber charter schools are made subject by Section 1724-A(b) of the Law,³² requiring that non-certified professional employees of the cyber charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the cyber charter school;
- the cyber 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;³³
- the cyber charter school membership numbers reported to Department of Education were correct and average daily membership and tuition billings were accurate;
- the cyber charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code³⁴ and Chapter 11 of the State Board of Education Regulations;³⁵

³⁰ 24 P.S. § 17-1724-A(a).

³¹ 24 P.S. §§ 11-1109 and 12-1209.

³² 24 P.S. § 17-1724-A(b).

³³ 24 P.S. § 17-1715-A(9).

³⁴ 24 P.S. § 13-1327; Please note that charter schools are subject to the compulsory school attendance requirements of the Public School Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).

³⁵ 22 Pa. Code, Chapter 11.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
PERFORMANCE AUDIT REPORT

Conclusion (Continued)

- the charter school complied with Section 1303-A of the Code³⁶ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- the charter school is in compliance with Section 1724-A(c) of the Law³⁷ requiring that all employees 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; and
- the charter school submitted its annual reports assessing whether or not it met the goals of its charter to DE as required by Section 1728-A of the Law.³⁸

³⁶ 24 P.S. § 13-1303-A(c).

³⁷ 24 P.S. § 17-1724-A(c).

³⁸ 24 P.S. § 17-1728-A.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
APPENDIX I

[UNAUDITED]

Schedule of Local Revenue

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>LOCAL REVENUE</u>			
Earnings on Investments	\$ 5,663	\$ 3,192	\$ -
Federal Revenue Rcvd. From Other PA public school	31,467	26,519	-
Payments from Sending Schools Districts*	<u>1,319,108</u>	<u>1,161,881</u>	<u>1,040,637</u>
<u>TOTAL PAYMENTS</u>	<u>\$1,356,238</u>	<u>\$1,191,592</u>	<u>\$1,040,637</u>

*These dollar amounts represent actual payments made to the Central Pennsylvania Digital Learning Foundation from sending school districts.

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
APPENDIX II

[UNAUDITED]

Schedule of State Revenue

The cyber charter school reported state revenue of \$31,622, \$23,577 and \$20,258, 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>
<u>STATE REVENUE</u>			
Technology Grants	\$ -	\$ -	\$ 509
Health Services	1,740	1,521	2,930
Social Security and Medicare Taxes	19,636	17,806	15,021
Retirement	<u>10,246</u>	<u>4,250</u>	<u>1,798</u>
<u>TOTAL STATE REVENUE</u>	<u>\$31,622</u>	<u>\$23,577</u>	<u>\$20,258</u>

CENTRAL PENNSYLVANIA DIGITAL LEARNING FOUNDATION
APPENDIX III

Description of State Revenue (Source: Pennsylvania Accounting Manual)

Technology Grants

Revenue received for technology initiatives that allow the schools to develop new information technology projects, such as upgrade of networks or improved computer hardware and software.

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.



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AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the chief executive officer of the charter school, the board of trustees, our website address at www.auditorgen.state.pa.us, and the following:

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Governor
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.