



**DR. ROBERT KETTERER CHARTER SCHOOL  
WESTMORELAND COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT**

**AUGUST 2013**

**COMMONWEALTH OF PENNSYLVANIA**  
**EUGENE A. DEPASQUALE - AUDITOR GENERAL**  
**DEPARTMENT OF THE AUDITOR GENERAL**



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Ms. Anita Dinsmore, Board President  
Dr. Robert Ketterer Charter School  
1133 Village Way  
Latrobe, Pennsylvania 15650

Dear Governor Corbett and Ms. Dinsmore:

We conducted a performance audit of the Dr. Robert Ketterer Charter School (Charter School) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period November 13, 2006 through June 3, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010, 2009, 2008, and 2007. 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.

Our audit found that the Charter School complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the finding noted in this report. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit finding and recommendations have been discussed with the Charter School's management, and their response is 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,

/s/

EUGENE A. DEPASQUALE  
Auditor General

August 15, 2013

cc: **DR. ROBERT KETTERER CHARTER SCHOOL** Board of Trustees

## Table of Contents

---

---

	Page
Executive Summary .....	1
Background Information on Pennsylvania Charter Schools .....	3
Audit Scope, Objectives, and Methodology .....	6
Findings and Observations .....	10
Finding – Possible Improper Retirement Contributions .....	10
Status of Prior Audit Findings and Observations .....	15
Distribution List .....	17

## **Executive Summary**

---

### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Dr. Robert Ketterer Charter School (Charter School). Our audit sought to answer certain questions regarding the Charter School's compliance with applicable state laws, 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 November 13, 2006 through June 3, 2011, 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 2009-10, 2008-09, 2007-08, and 2006-07 school years.

### **Charter School Background**

The Charter School, located in Westmoreland County, Pennsylvania, opened in September 1998. It was originally chartered on February 19, 1998, for a period of five years by the Greater Latrobe School District. The Charter School's mission states: "to provide students with an education that creates opportunities for academic success and empowers them with the ability to construct meaning in their lives." During the 2010-11 school year, the Charter School provided educational services to 216 pupils from 135 sending school districts through the employment of 31 teachers, 1 full-time and part-time support personnel, and 4 administrators.

The Charter School received approximately \$3.2 million in tuition payments from school districts required to pay for their students attending the Charter School during the 2009-10 school year.

### **Adequate Yearly Progress**

The Charter School made Adequate Yearly Progress (AYP) for the 2009-10 school year by meeting all AYP measures.

AYP is a key measure of school performance established by the federal No Child Left Behind Act 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 must meet goals or targets in three areas: (1) Attendance (for schools that do not have a graduating class) or Graduation (for schools that have a high school graduating class), (2) Academic Performance, which is based on tested students' performance on the Pennsylvania System of School Assessment (PSSA), and (3) Test Participation, which is based on the number of students that participate in the PSSA. Schools are evaluated for test performance and test participation for all students in the tested grades (3-8 and 11) in the school. AYP measures determine whether a school is making sufficient annual progress towards the goal of 100 percent proficiency by 2014.

## **Audit Conclusion and Results**

Our audit found that the Charter School complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for one compliance-related matter reported as a finding.

### **Finding: Possible Improper Retirement**

**Contributions.** Our review of the Charter School's retirement contributions and reimbursements for the 2003-04 through 2009-10 school years revealed that Adelphoi Village, Inc. employees' salaries were incorrectly reported with the Charter School's employees' salaries for the Public School Employees' Retirement System (PSERS) benefits for the 2003-04 through 2007-08 school years (see page 10).

## **Status of Prior Audit Findings and Observations.**

With regard to the status of our prior audit recommendations to the Charter School from an audit released on February 27, 2008, we found that the Charter School had taken appropriate corrective action in implementing our recommendations pertaining to the Agreement for Provision of Educational Personnel between the Charter School and the Adelphoi Village, Inc. whereby the Charter School contracted out its teachers to teach non-charter school students and incorrectly reported wages to PSERS for retirement benefits (see page 15), and the violation of the Public Official and Employee Ethics Act, where five members of the Board of Trustees failed to file Statements of Financial Interests at some time during the audit period (see page 16).

## 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 7<sup>th</sup> highest charter school student enrollment, and the 10<sup>th</sup> 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.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

Applications must be submitted to the local school board where the charter school will be located by November 15 of the school year preceding the school year in which the charter school will be established,<sup>4</sup> and that board must hold at least one public hearing before approving or rejecting the application.<sup>5</sup> If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,<sup>6</sup> which is comprised of the Secretary of Education and six members appointed by the Governor with the consent of a majority of all of the members of the Senate.<sup>7</sup>

---

<sup>1</sup> 24 P.S. § 17-1702-A.

<sup>2</sup> *Id.*

<sup>3</sup> 24 P.S. § 17-1717-A (a).

<sup>4</sup> *Id.* § 17-1717-A (c).

<sup>5</sup> *Id.* § 17-1717-A (d).

<sup>6</sup> *Id.* § 17-1717-A (f).

<sup>7</sup> 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.<sup>8</sup> After that, the local school board can choose to renew a school's charter every five years, based on a variety of information, such as the charter school's most recent annual report, financial audits, and standardized test scores. The board can immediately revoke a charter if the school has endangered the health and welfare of its students and/or faculty. However, under those circumstances, the board must hold a public hearing on the issue before it makes its final decision.<sup>9</sup>

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

*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 Charter School Law 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,

<sup>8</sup> 24 P.S. § 17-1720-A.

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

<sup>10</sup> 24 P.S. §§ 17-1703-A, 17-1741-A *et seq.*

<sup>11</sup> 24 P.S. § 17-1745-A(d).

<sup>12</sup> *Id.* § 17-1745-A(f)(4).

<sup>13</sup> 24 P.S. § 17-1741-A(a)(3).

<sup>14</sup> 24 P.S. § 17-1750-A(e).

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

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 Public School Code 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.<sup>18</sup> 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.<sup>19</sup>

---

<sup>15</sup> See 24 P.S. § 17-1725-A(a)(2).

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

<sup>17</sup> See 24 P.S. § 17-1725-A(a)(5).

<sup>18</sup> See 24 P.S. § 25-2591.1. Please note that this provision is contained in the general funding provisions of the Public School Code and not in the Charter School Law.

<sup>19</sup> Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the Public School Code 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, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under the authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, 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 November 13, 2006 through June 3, 2011, except for the verification of professional employee certification which was performed for the period July 1, 2006 through June 30, 2011. Additionally, our review of retirement benefits reported to the Public School Employees' Retirement System (PSERS) was expanded to include the 2003-04 through 2009-10 school years at the request of PSERS and as a follow-up to our prior audit report.

Regarding state subsidies and reimbursements, our audit covered the 2009-10, 2008-09, 2007-08, and 2006-07 school years.

For the purposes of our audit work and to be consistent with Pennsylvania Department of Education (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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the Charter School's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Was the Charter School in overall compliance with the Public School Code of 1949<sup>20</sup> (PSC) and the Charter School Law<sup>21</sup> (CSL)?

---

<sup>20</sup> 24 P.S. § 1-101 *et seq.*

<sup>21</sup> 24 P.S. § 17-1701-A *et seq.*

- ✓ Did the Charter School have policies and procedures regarding the requirements to maintain student health records and perform required health services, and keep accurate documentation supporting its annual health services report filed with the Pennsylvania Department of Health to receive state reimbursement?
- ✓ Did the Charter School receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program, was its lease agreement approved by its Board of Trustees, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?<sup>22</sup>
- ✓ Did the Charter School comply with the open enrollment and lottery provisions of the CSL?
- ✓ Does the Charter School provide the services required for its special education students through outside agencies and/or through properly certified professional staff with the required instructional hours and/or training?
- ✓ Did the Charter School’s Board of Trustees and administrators, and the chartering school Board of School Directors comply with the PSC, the Public Official and Employee Ethics Act, and the Sunshine Act?
- ✓ Were at least 75 percent of the Charter School’s teachers properly certified, and did all of its noncertified teachers meet the “highly qualified teacher” requirements?
- ✓ Did the Charter School require its noncertified professional employees to provide evidence that they are at least 18 years of age, a U.S. citizen, and 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 Charter School?

---

<sup>22</sup> 65 Pa.C.S. § 1101 *et seq.*

- ✓ Did the Charter School accurately report its membership numbers to PDE, and were its average daily membership and tuition billings accurate?
- ✓ Did the Charter School have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Management System was complete, accurate, valid, and reliable?
- ✓ Did the Charter School comply with the CSL's compulsory attendance provisions and, if not, did the Charter School remove days in excess of ten consecutive unexcused absences from the Charter School's reported membership totals pursuant to the regulations?<sup>23</sup>
- ✓ Did the Charter School take appropriate steps to ensure school safety?
- ✓ Did the Charter School require that all of its employees enroll in PSERS at the time of filing its charter school application as required by the CSL, unless the Board of Trustees had a retirement plan that covered the employees or the employees were already enrolled in another retirement program?
- ✓ Did the Charter School correctly identify and report retirement wages for its employees to PSERS?
- ✓ Did the Charter School use an outside vendor to maintain its membership data, and if so, were internal controls in place related to vendor access?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?
- ✓ Did the Charter School take appropriate corrective action to address recommendations made in our prior audits?

---

<sup>23</sup> 22 Pa. Code § 11.24.

## 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 applicable laws, 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 applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the Charter School's internal controls, including any information technology controls, as they relate to the Charter School's compliance with applicable state laws, contracts, grant requirements, and administrative procedures 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 control 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, student health services, special education, lease agreements, open enrollment, and student enrollment.
- Items such as Board of Trustees' meeting minutes, pupil membership records, IRS 990 forms, and reimbursement applications.
- Tuition receipts and deposited state funds.

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

Lastly, to determine the status of our audit recommendations made in a prior audit report released on February 27, 2008, we reviewed the Charter School's response and then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

---

### Finding

---

*Criteria relevant to the finding:*

Section 1724-A(c) of the Charter School Law, 24 P.S. § 17-1724-A(c), requires that all employees of a charter school be enrolled in the Public School Employees' Retirement System (PSERS).

This provision also requires the Commonwealth to pay contributions on behalf of charter school employees enrolled in PSERS, and charter schools to pay contributions into PSERS for its employees.

### Possible Improper Retirement Contributions

Our prior audit found that on August 15, 1998, the Ridgeview Academy Charter School, currently named Dr. Robert Ketterer Charter School (Charter School), and Adelphoi Village, Inc. (Adelphoi) executed an Agreement for Provision of Educational Personnel (Agreement), in which the Charter School agreed to provide “appropriate educational personnel” to teach in Adelphoi facilities (i.e., non-charter school students) and Adelphoi agreed to reimburse the Charter School for the salary and benefits of such personnel. The Agreement stated that the Charter School was an “independent contractor” and that “no member of the staff of [the Charter School] shall be considered an employee of [Adelphoi].”

Contrary to the Agreement, our prior audit of the Charter School found that some teachers were teaching Adelphoi students only, yet they were receiving retirement benefits as if they were employees of the Charter School teaching the Charter School’s students. Section 1724-A(c) of the Charter School Law (CSL) requires all employees of a charter school to be enrolled in the Public School Employees' Retirement System (PSERS). However, this provision clearly does not authorize individuals who are not teaching charter school students to enroll in and become eligible for retirement benefits of PSERS. As such, we concluded that the Charter School was inappropriately contributing to retirement accounts for individuals that were not eligible to receive the PSERS retirement benefit because they were not teaching students enrolled in the Charter School.

Further, since the Commonwealth is required by Section 1724-A(c) of the CSL to contribute to the retirement plans of charter school employees pursuant to the Public School Employees' Retirement Code, the Commonwealth was also incorrectly paying its share of retirement contributions and reimbursing the Charter School for individuals who were not eligible to receive this benefit. As the oversight body for retirement contributions, our prior finding was referred to PSERS for further review and final determination. On September 18, 2007, PSERS confirmed that individuals

teaching non-charter school students (i.e. Adelphoi students) were ineligible for PSERS retirement benefits. Consequently, PSERS requested that the Pennsylvania Department of the Auditor General identify these individuals and the incorrect retirement amounts during its next audit of the Charter School.

Consequently, at the request of PSERS, we reviewed this issue in our current audit report finding and expanded our review of the Charter School’s retirement contributions and reimbursements to include the 2003-04 through 2009-10 school years. We found that Adelphoi employees’ salaries were incorrectly reported with the Charter School’s employees’ salaries for PSERS benefits for the 2003-04 through 2007-08 school years. Our calculations show that the incorrect reporting resulted in cumulative overpayments of retirement reimbursements paid by the Commonwealth to the Charter School for the 2003-04 through 2007-08 school years totaling \$157,253. The overpayment of retirement reimbursement per school year is as follows:

<u>School Year</u>	<u>Amount of PSERS Overpayment</u>
2003-04	\$ 24,173
2004-05	24,500
2005-06	39,629
2006-07	68,277
2007-08	<u>674</u>
<b>Total</b>	<b>\$157,253</b>

According to the Charter School’s Board of Trustees’ minutes dated November 12, 2007, the Charter School received notification from PSERS officials that the employees who work in the Adelphoi units are not entitled to membership in PSERS. This notification required that all individuals working in Adelphoi units transfer to Adelphoi employment. However, PSERS did preliminarily permit the individuals who were improperly included to keep their years of service, which could be applied if they obtained future state employment. Nevertheless, that decision did not have an impact on the determination that the Adelphoi staff was ineligible for PSERS membership, and that the Charter School inappropriately received state retirement reimbursement for those individuals.

The Board of Trustees' action approving the removal of all Adelphoi employees from the Charter School's payroll effective November 12, 2007, corrected the problem of these individuals inappropriately receiving PSERS retirement benefits for which they were not entitled for the 2003-04 through 2006-07 school years. However, we found that three Adelphoi employees inadvertently remained on the Charter School's payroll after November 12, 2007. The Charter School's failure to remove these three individuals from its payroll resulted in the Charter School and the Commonwealth continuing to pay retirement contributions for individuals who were not eligible to receive the PSERS benefit in 2007-08. The Charter School removed these three individuals from its payroll for the 2008-09 and 2009-10 school years, which corrected the problem.

PSERS has been provided with a discrepancy report detailing the possible errors in reporting for use in determining the propriety of the retirement contributions and reimbursements.

## **Recommendations**

The *Dr. Robert Ketterer Charter School* should:

1. Review wages reported to PSERS for the 2003-04 through 2007-08 school years and remove employees not eligible for PSERS retirement benefits.
2. Implement a board policy requiring that the Charter School's personnel be responsible for verifying membership eligibility for all employees reported to PSERS and for correctly reporting retirement wages.
3. Review subsequent years' wages to verify eligibility and ensure correct wages were submitted to PSERS.
4. Make necessary corrections to reports filed with PSERS for all filing years for employees deemed ineligible to participate in PSERS and receive retirement benefits.

The Public School Employees' Retirement System should:

5. Review the propriety of wages reported by the Charter School for PSERS retirement benefits for the 2003-04 through 2007-08 school years.

6. Determine if the Charter School received any overpayments in retirement reimbursements and report any overpayments to the Pennsylvania Department of Education's Comptroller's Office to make any necessary reimbursement adjustments.

## Management Response

Management stated the following:

“The Robert Ketterer Charter School was originally incorporated in Pennsylvania in 1998. Since that time, independent audit reports have been prepared annually by certified public accountants with an unqualified opinion.

These annual reports have clearly identified the ‘Agreement for Provision of Education Personnel’ and the relationship between Adelphoi Village and the Robert Ketterer Charter School.

The Greater Latrobe School District has renewed the Charter for Robert Ketterer Charter School on two separate occasions, 2001 as well as 2006. The annual audit has been publicly reviewed with the Greater Latrobe School District and shared with the Pennsylvania Department of Education as well. This arrangement was public and known by the Greater Latrobe School District as well as the Pennsylvania Department of Education.

The 2007 challenge received from the Auditor General's office was the first and only issue to be raised with regard to our ‘Agreement for Provision of Educational Personnel’ and its relationship with the Public School Employees Retirement System (PSERS).

Communication dated September 18, 2007 was received directly from the Commonwealth of Pennsylvania Public School Employees Retirements Systems. Chief Counsel's advice was followed explicitly. This notice clearly states the following: ‘PSERS has preliminarily decided to allow these individuals to retain any service credit for which they have already credited up through the 2006-2007 school year.’



Due to the number of employees, the length of teacher's service in addition to the administrative difficulty as well as the delay from the initial audit findings, we disagree that any corrections be made to reduce subsidy to any current or past employees of the Robert Ketterer Charter School.

Three (3) contribution sources all for previous Robert Ketterer Charter School employees have been and continue to be retained within the Public School Employee's Retirement System. This includes the employee, employer, and the subsidy contributions referred to in this finding."

**Auditor Conclusion**

The employees' contributions who we disallowed for the PSERS calculation were all Charter School teachers who were contracted out to teach Adelphoi students. Those teachers from the Charter School that taught Adelphoi students on a full-time basis were not eligible to receive PSERS benefits. As such, these ineligible teachers should have never been included in the Charter School's PSERS calculation for retirement reimbursement purposes.

## Status of Prior Audit Findings and Observations

---

Our prior audit of the Dr. Robert Ketterer Charter School (Charter School) released on February 27, 2008, resulted in two findings. The first finding pertained to an agreement between the Charter School and Adelphoi Village, Inc. resulting in ineligible retirement benefits, and the second finding pertained to failure of various members of the Board of Trustees to file Statements of Financial Interest during the audit period. As part of our current audit, we determined the status of corrective action taken by the Charter School to implement our prior audit recommendations. We performed audit procedures and interviewed Charter School personnel regarding the prior findings. As shown below, we found that the Charter School did implement our recommendations related to the prior findings, except for inadvertent errors regarding retirement benefits that continued during our current audit (see current finding).

### Auditor General Performance Audit Report Released on February 27, 2008

---

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

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

Recommendations:    Our audit finding recommended that the Charter School should:

1. Immediately cease its practice of contracting out its teachers to teach non-charter school students.
2. Henceforth not enroll its teachers who teach non-charter school students in the Public School Employees’ Retirement System.

Current Status:        During our current audit, we found that the Charter School followed our recommendations in the prior audit by removing Adelphoi employees

from retirement wages reported to PSERS effective November 12, 2007, except for three individuals who inadvertently remained on the Charter School's payroll and were not eligible to receive the PSERS benefit in 2007-08. For the 2008-09 school year and thereafter, the Charter School did not contract any of its teachers to Adelphoi, so no individuals were incorrectly reported to PSERS (see current finding).

---

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

Finding Summary: Our prior audit of the Charter School's records for the calendar years end December 31, 2005, 2004, and 2003 found that five members of the Charter School's Board of Trustees, who served during the same period covered in this audit report, failed to file their Statements of Financial Interests with the State Ethics Commission.

Recommendations: Our audit finding recommended that the Board of Trustees should:

1. Seek the advice of its solicitor with regard to the Board of Trustees' responsibility when administrators and members fail to file a Statement of Financial Interest.
2. Develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Current Status: During our current audit, we found that the Charter School did implement our prior recommendations in the audit report. In addition, all Board of Trustees had their Statement of Financial Interests on file at the Charter School.

## **Distribution List**

---

This report was initially distributed to the Chief Executive Officer of the Charter School, the Board of Trustees, our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us), and the following stakeholders:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, PA 17120

The Honorable William E. Harner  
Acting Secretary of Education  
1010 Harristown Building #2  
333 Market Street  
Harrisburg, PA 17126

The Honorable Robert M. McCord  
State Treasurer  
Room 129 - Finance Building  
Harrisburg, PA 17120

Ms. Lori Graham  
Acting Director  
Bureau of Budget and Fiscal Management  
Pennsylvania Department of Education  
4th Floor, 333 Market Street  
Harrisburg, PA 17126

Dr. David Wazeter  
Research Manager  
Pennsylvania State Education Association  
400 North Third Street - Box 1724  
Harrisburg, PA 17105

Mr. Tom Templeton  
Assistant Executive Director  
School Board and Management Services  
Pennsylvania School Boards Association  
P.O. Box 2042  
Mechanicsburg, PA 17055

Ms. Elizabeth Anzalone  
Executive Assistant  
Attention: Charter and Cyber Charter  
Schools  
Pennsylvania Department of Education  
333 Market Street, 10th Floor  
Harrisburg, PA 17126

Mrs. Judith Swigart, Superintendent  
Greater Latrobe School District  
1816 Lincoln Avenue  
Latrobe, PA 15650

Mrs. Susan J. Mains, Board President  
Greater Latrobe School District  
1816 Lincoln Avenue  
Latrobe, PA 15650

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).

