

HOPE CHARTER SCHOOL

PHILADELPHIA COUNTY, PENNSYLVANIA

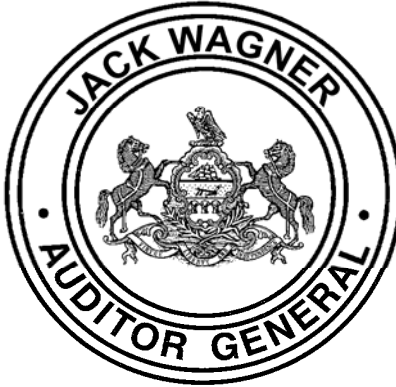
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004,  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006

WITH FINDINGS AND RECOMMENDATIONS

THROUGH JANUARY 4, 2008





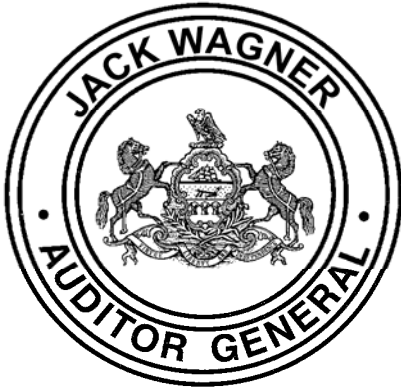
HOPE CHARTER SCHOOL  
PHILADELPHIA COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004,  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006  
WITH FINDINGS AND RECOMMENDATIONS  
THROUGH JANUARY 4, 2008



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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Ms. Lisa Ballard-Gamble, Board President  
Hope Charter School  
2116 East Haines Street  
Philadelphia, Pennsylvania 19138

Dear Governor Rendell and Ms. Ballard-Gamble:

We have conducted a performance audit of the Hope Charter School 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 Hope Charter School, 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 Hope Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following three findings.

Independent Auditor's Report (Continued)

The findings are discussed in detail in the Conclusion section of this report:

- Finding No. 1 – Inadequate Documentation to Support Pupil Membership Data
- Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Certain Charter School Personnel Failed to File Statements of Financial Interests at Some Time During the Audit Period
- Finding No. 3 – Failure to Obtain Memorandum of Understanding

We believe that our recommendations, if implemented by the charter school, will help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

Sincerely,

January 4, 2008

/s/  
JACK WAGNER  
Auditor General

cc: Mr. Herbert L. Wilson III, Board Treasurer  
Ms. Tara Curfman, Board of Trustees  
Mr. Joseph Nicholson, Board of Trustees  
Ms. Francesca Pugh-Opher, Board of Trustees  
Ms. Janice Walker, Board of Trustees  
Mr. Richard Chapman, Chief Executive Officer



HOPE CHARTER SCHOOL  
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.<sup>1</sup> 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.<sup>2</sup>

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.<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 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.<sup>7</sup>

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>

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<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> 24 P.S. § 17-1717-A (c).

<sup>5</sup> 24 P.S. § 17-1717-A (d).

<sup>6</sup> 24 P.S. § 17-1717-A (f).

<sup>7</sup> 24 P.S. § 17-1721-A (a).

<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.

HOPE CHARTER SCHOOL  
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.<sup>10</sup> 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.<sup>11</sup> As of September 14, 2007, there are 122 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.<sup>12</sup> According to DE, nearly 50,000 children are enrolled in these schools.<sup>13</sup>

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<sup>10</sup> 24 P.S. § 17-1703-A.

<sup>11</sup> 24 P.S. § 17-1745-A (a), (f).

<sup>12</sup> 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.

<sup>13</sup> Department of Education Web site at [http://www.pde.state.pa.us/charter\\_schools/site/default.asp](http://www.pde.state.pa.us/charter_schools/site/default.asp).

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

The Hope Charter School, located in Philadelphia County, opened in September of 2002. The Hope Charter School was originally chartered on September 1, 2002 for a period of five years by the Philadelphia School District.

According to the charter school's mission statement, the Hope Charter School is an educational setting that is wholly configured to meet the unique needs of students who are not currently succeeding in their conventional schools, may not be attending school or attending sporadically, and/or may be in danger of leaving school prior to their graduation. The school provides an environment designed to meet the comprehensive needs of these at-risk students by utilizing small learning groups and fostering interaction between the students and a multi-disciplinary staff that is trained and committed to successfully educating each one of these students.

During the year ended June 30, 2006, the Hope Charter School provided educational services to 440 students from the Philadelphia School District through the employment of 5 administrators, 27 teachers, and 13 full-time and part-time support personnel. The charter school also provided educational services to 440 students during the 2004-05 school year, and 440 students during the 2003-04 school year.

Expenditures for the school years<sup>14</sup> 2005-06, 2004-05 and 2003-04 were \$4,758,465, \$4,521,096 and \$4,342,745, respectively. Revenues of \$4,757,660, \$4,383,813 and \$4,277,301 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 transportation, rental and sinking fund<sup>15</sup> payments, Social Security and Medicare Taxes, retirement obligations and various grants (see Appendix III Schedule of State Revenue, page 21.)

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

<sup>15</sup> A "sinking fund" is an account established to repay monies that were borrowed through a bond issue.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND (Continued)

**Background (Continued)**

The charter school derives the majority of its operating revenue from the school district whose students attend the charter school. The sending school district is required by Section 1725-A of the Charter School Law<sup>16</sup> and instructions from the Department of Education to provide the charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,<sup>17</sup> based upon the school district’s 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 charter schools.) This funding calculation is to be paid to the charter school by the sending school district, based on the actual ADM of their students who attend the charter school (see Appendix I - Schedule of Local Revenue, page 19.)

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<sup>16</sup> 24 P.S. § 17-1725-A.

<sup>17</sup> Charter schools receive additional funding for special education students as calculated on the basis of 24 P.S. § 7-1725-A(a)(3).

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND (Continued)

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

<b><u>CHARTER SCHOOL REVENUES</u></b>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Revenue*	\$4,194,195	\$3,639,985	\$3,622,524
Federal Revenue	340,752	431,821	465,559
State Revenue	<u>222,713</u>	<u>312,007</u>	<u>189,218</u>
<b><u>TOTAL REVENUE</u></b>	<b><u><u>\$4,757,660</u></u></b>	<b><u><u>\$4,383,813</u></u></b>	<b><u><u>\$4,277,301</u></u></b>

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

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

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVES, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE**

The objective of our audit was to determine if the Hope Charter School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures pertaining to charter schools in Pennsylvania. The objectives included in our audit of the Hope Charter School were:

- to determine overall compliance with the Public School Code of 1949<sup>18</sup> (Code) and the Charter School Law (Law);<sup>19</sup>
- to determine whether at least 75 percent of the 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;<sup>20</sup>
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,<sup>21</sup> to which charter schools are made subject by Section 1724-A(b) of the Law,<sup>22</sup> requiring that noncertified professional employees of the 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 charter school;
- to determine whether the 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;<sup>23</sup>
- to verify membership numbers reported to the Department of Education (DE) and determine whether average daily membership and tuition billings were accurate;

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<sup>18</sup> 24 P.S. § 1-101 *et seq.*

<sup>19</sup> 24 P.S. § 17-1701-A *et seq.*

<sup>20</sup> 24 P.S. § 17-1724-A(a).

<sup>21</sup> 24 P.S. §§ 11-1109 and 12-1209.

<sup>22</sup> 24 P.S. § 17-1724-A(b).

<sup>23</sup> 24 P.S. § 17-1715-A(9).

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVE, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE (Continued)**

- . to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code<sup>24</sup> and Chapter 11 of the State Board of Education Regulations<sup>25</sup> (Regulations) and, if not, whether the 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;<sup>26</sup>
- . to determine whether each of the 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 Act<sup>27</sup> (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 Code<sup>28</sup> requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- . to determine whether the charter school is in compliance with Section 1724-A(c) of the Law<sup>29</sup> requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the 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 Law<sup>30</sup> 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 school years ended June 30, 2006, 2005 and 2004.

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<sup>24</sup> 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).)

<sup>25</sup> 22 Pa. Code, Chapter 11.

<sup>26</sup> 22 Pa. Code § 11.24.

<sup>27</sup> 65 Pa.C.S. § 1101 *et seq.*

<sup>28</sup> 24 P.S. § 13-1303-A(c).

<sup>29</sup> 24 P.S. § 17-1724-A(c).

<sup>30</sup> 24 P.S. § 17-1728-A.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVE, 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 charter school requires its board of trustees to establish and maintain internal controls to provide reasonable assurances that specific charter school objectives will be achieved. 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 charter school's internal controls as they relate to the 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.



HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSION**

The results of our tests indicate that, with respect to the audit objectives and items tested, the Hope Charter School complied with some of the applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. For example, we determined that Hope Charter School met the following provisions:

- although we found that the charter school had only 70 percent of its professional staff members certified at the beginning of the 2005-06 school year, the charter school demonstrated that at least 75 percent of the charter school's professional staff members, including administrators and teachers, were properly certified in the beginning of the 2007-08 school year, in the 2006-07, 2004-05 and 2003-04 school years, and in the second half of 2005-06, and if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;
- the charter school complied with Sections 1109 and 1209 of the Code,<sup>31</sup> to which charter schools are made subject by Section 1724-A(b) of the Law,<sup>32</sup> requiring that noncertified professional employees of the 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 charter school;
- the 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;<sup>33</sup> and
- the charter school is in compliance with Section 1724-A(c) of the Law<sup>34</sup>, all employees are enrolled in the Public School Employees' Retirement System.
- 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.<sup>35</sup>

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<sup>31</sup> 24 P.S. §§ 11-1109 and 12-1209.

<sup>32</sup> 24 P.S. § 17-1724-A(b).

<sup>33</sup> 24 P.S. § 17-1715-A(9).

<sup>34</sup> 24 P.S. § 17-1724-A(c).

<sup>35</sup> 24 P.S. § 17-1728-A.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSION (Continued)**

However, we determined that the Hope Charter School did not comply with other applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, as noted in the findings listed below. The findings and recommendations were reviewed with representatives of the Hope Charter School, and their comments have been included in this report.

**Finding No. 1 – Inadequate Documentation to Support Pupil Membership Data**

Our audit of child accounting records for the 2005-06, 2004-05 and 2003-04 school years found that the charter school did not retain documentation to support membership data reported to Department of Education (DE) for all years of audit.

Charter school personnel were unable to provide sufficiently detailed documentation to support membership days reported to DE for 9th through 12th grades. As a result, we unable to:

- verify membership numbers reported to DE and determine whether average daily membership and tuition billings to the Philadelphia School District were accurate; and
- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code<sup>36</sup> and Chapter 11 of the State Board of Education Regulations<sup>37</sup> (Regulations) and, if not, whether the 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.<sup>38</sup>

Section 518 of the Public School Code requires that records be retained for a period of not less than six years. DE guidelines and instructions require the maintenance and retention of adequate documentation to verify schools' entitlement to state payments. Failure to maintain and retain this documentation could result in the loss of state funding to the charter school and the school district whose students attend the charter school.

The charter school did not have written procedures for the child accounting function. Written procedures are necessary for effective management of child accounting; in addition, written procedures should be maintained for the guidance of new personnel in the event of employee turnover.

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<sup>36</sup> 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).)

<sup>37</sup> 22 Pa. Code, Chapter 11.

<sup>38</sup> 22 Pa. Code § 11.24.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 1 (Continued)**

Recommendations

Charter school personnel should:

- strengthen internal controls for obtaining, recording, and reviewing data prior to submission of reports to DE;
- develop and implement procedures to ensure supporting documentation for data reported to DE is available for audit;
- maintain original computer printouts supporting reports submitted to DE for audit purposes; and
- establish written procedures for the child accounting function.

Response of Management

Management provided the following response agreeing with our finding:

The following process is used to substantiate membership data:

- All new admits are passed by the CEO [chief executive officer] to the Business Director, who enters the student's name and information into the PSD [Philadelphia School District] system.
- All discharges are notified to the Business Director by the school, as withdrawals occur.
- Once a week on a Friday, the information coordinator at school sends a complete list of current students to the Business Director, to ensure that the information in the system is substantiated, correct and current.

For the current school year, 07/08, we have just introduced the above system, using the "checks and balances" as described above to ensure accuracy. For previous school years, the weekly submission of data did not occur which could potentially lead to less accuracy in the membership data, and certainly less back-up substantiation.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 1 (Continued)**

If satisfactory to our auditors, we will continue with the system started this year, as we believe that accuracy is now maintained with a solid back-up of data.

**Finding No. 2 – In Violation of the Public Official and Employee Ethics Act, Certain Charter School Personnel Failed to File Statements of Financial Interests at Some Time During the Audit Period**

Our audit of charter school records of Statements of Financial Interests for the calendar years ended December 31, 2006, 2005, 2004 and 2003 found that various board members and charter school administrators failed to file Statements of Financial Interests during our audit period, as follows:

- for 2006, four board members, including the vice-president, as well as the Chief Executive Officer (CEO) and the school's founder;
- for 2005, six board members, including the president and vice-president, as well as the CEO and the school's founder;
- for 2004, the CEO and the school's founder; and
- for 2003, two board members, including the board secretary, as well as the CEO and the school's founder.

Of the Statements of Financial Interests that were on file for our audit period, we found no evidence of potential conflicts of interests.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), requires all candidates for public office, public officials and certain public employees to annually complete a Statement of Financial Interests for the preceding calendar year, no later than May 1<sup>st</sup> of each year they hold their positions and the year after leaving such positions.<sup>39</sup>

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public's trust. In addition, a board members' failure to file the Statement of Financial Interests constitutes a violation of the Ethics Act.

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<sup>39</sup> 65 Pa.C.S. § 1101 *et seq.*

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 2 (Continued)**

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, 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 statement of financial interests . . .

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests 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.

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

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

Recommendations

The board of trustees should:

- seek the advice of its solicitor in regard to the board of trustees' responsibility when administrators and members fail to file Statements of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided the following response agreeing with our finding:

The following process is used to obtain "Statements of Financial Interests" from Board Members of Hope Charter School:

- Once the annual elections are held, I [the CEO] give each member the statement form to complete at the board meeting. If there are absentee members, I mail the form to them.

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 2 (Continued)**

- If members do not give me the completed forms at the meeting, I send out another form with the Board minutes.
- If members still do not return the form, I give out a third form at the subsequent meeting.

Once completed forms are returned, they are placed into that current year's binder.

As CEO, I follow the above policy. However, even at the third attempt, some board members do not return the form.

I will present a resolution to the Board at its December [20]07 meeting, to the effect that members who fail to return the form following a third attempt, will be dropped from the membership.

**Finding No. 3 – Failure to Obtain Memorandum of Understanding**

Our review of the charter school's records found that the charter school does not have a Memorandum of Understanding (MOU) with the Philadelphia Police Department that services the charter school.

Section 1303-A(c) of the Public School Code provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.<sup>40</sup>

Additionally, the Basic Education Circular issued by DE entitled Safe Schools and Possession of Weapons contains a sample MOU to be used by school entities. Section VI, General Provisions item (B) of this sample states:

This Memorandum may be amended, expanded or modified at any time upon the written consent of the parties, but in any event must be reviewed and re-executed within two years of the date of its original execution and every two years thereafter. (Emphasis added)

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<sup>40</sup> 24 P.S. § 13-1303-A(c).

HOPE CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding No. 3 (Continued)**

The failure to update MOUs with its local law enforcement agency could result in a lack of cooperation, direction, and guidance between charter school employees and law enforcement agencies if an incident occurs on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

Recommendations

The charter school administration, in consultation with the solicitor, should execute a current MOU between the charter school and the local law enforcement agency.

Additionally, the charter school should adopt a policy requiring the administration to review and re-execute the MOU every two years.

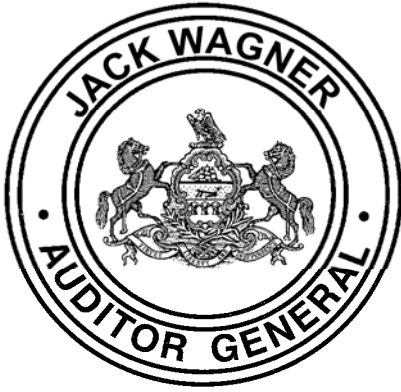
Response of Management

Management provided the following response to our finding:

HCS [Hope Charter School] meets monthly with representatives from the 14<sup>th</sup> [and] 35<sup>th</sup> [Philadelphia Police Department Districts], School District and Septa police, at a meeting that is called “Northwest Community Coalition for Youth” [NWCCY].

We have never been asked for the Memorandum of Understanding before.

At the next NWCCY meeting, our HCS rep will request the Memorandum of Understanding





HOPE CHARTER SCHOOL  
APPENDIX I

[UNAUDITED]

**Schedule of Local Revenue**

The 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>
<b><u>LOCAL REVENUE</u></b>			
Student Activities	\$ 17,756	\$ 5,549	\$ 1,329
Food Service	-	70,768	9,605
Revenue from Local Government Units	66,163	-	-
Federal Revenue Received from Other PA Public Schools (IDEA)	194,803	-	-
Contributions and Donations from Private Sources	17,118	350	750
Refunds of Prior Year's Expenditures	-	-	61,770
Miscellaneous	29,049	23,277	126,644
Payments from School District of Philadelphia	<u>3,869,306</u>	<u>3,540,041</u>	<u>3,422,426</u>
<b><u>TOTAL PAYMENTS</u></b>	<u>\$4,194,195</u>	<u>\$3,639,985</u>	<u>\$3,622,524</u>

HOPE CHARTER SCHOOL  
APPENDIX II

[UNAUDITED]

**Schedule of Federal Revenue**

The charter school reported federal revenue of \$340,752, \$431,821 and \$465,559, respectively, for the school fiscal years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>FEDERAL REVENUE</u></b>			
NCLB (1), Title 1, Improving the Academic Achievement of the Disadvantaged	\$302,947	\$229,079	\$186,114
NCLB (1), Title V, Promoting Informed Parental Choice and Innovative Programs	-	-	246,875
NCLB (1), Title VI, Flexibility And Accountability	37,805	34,356	32,570
IDEA and NCLB Grants Not Specified	<u>-</u>	<u>168,386</u>	<u>-</u>
<b><u>TOTAL FEDERAL REVENUE</u></b>	<u>\$340,752</u>	<u>\$431,821</u>	<u>\$465,559</u>

HOPE CHARTER SCHOOL  
APPENDIX III

[UNAUDITED]

**Schedule of State Revenue**

The charter school reported state revenue of \$222,713, \$312,007 and \$189,218, respectively, for the school fiscal years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>STATE REVENUE</u></b>			
Transportation	\$ -	\$ 27,253	\$ -
Rental and Sinking Fund Payments	71,116	81,974	52,343
Social Security and Medicare Taxes	106,967	138,336	96,665
Retirement	44,630	64,444	39,620
Other Program Subsidies/Grants:			
Constitutional Rights	-	-	540
Miscellaneous	-	-	50
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL STATE REVENUE</u></b>	<u>\$222,713</u>	<u>\$312,007</u>	<u>\$189,218</u>

HOPE CHARTER SCHOOL  
APPENDIX IV

*Description of State Revenue (Source: Pennsylvania Accounting Manual)*

Transportation

Revenue received from the Commonwealth as subsidy for pupil transportation expenditures and/or board and lodging in lieu of transportation. Payments for pupil transportation are made in accordance with Section 2541 of the Public School Code. Payments for board and lodging in lieu of transportation are made in accordance with Section 2542 of the Public School Code. This revenue also includes subsidy for the transportation of nonpublic and charter school students.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved charter school debt obligations for which the Department of Education has assigned a lease number.

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.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

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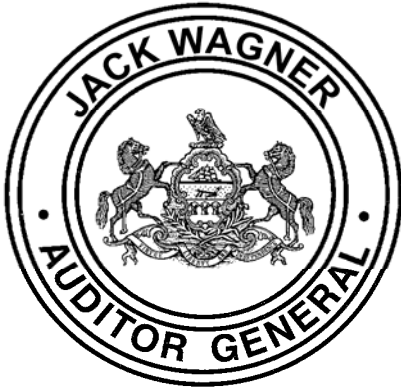
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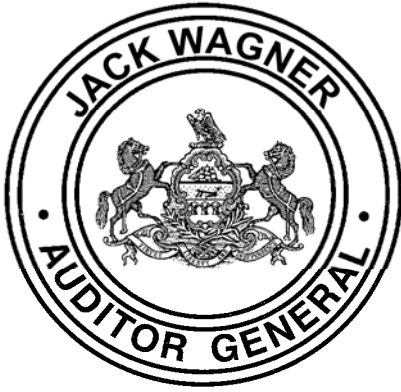
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