



**ROBERTO CLEMENTE CHARTER SCHOOL
LEHIGH COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT**

MARCH 2013

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



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Dr. Samuel Polanco, Board President
Roberto Clemente Charter School
136 South 4th Street
Allentown, Pennsylvania 18102

Dear Governor Corbett and Dr. Polanco:

We conducted a performance audit of the Roberto Clemente Charter School (Charter School) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period September 22, 2006 through November 18, 2010, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2008 and June 30, 2007, as they were the most recent reimbursements subject to audit. 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 significant noncompliance with state laws and administrative procedures, as detailed in the five audit findings within this report. A summary of these results is presented in the Executive Summary section of the audit report. These findings include recommendations aimed at the Charter School and a number of different government entities, including the Pennsylvania Department of Education, the State Ethics Commission, and the authorizing school district.

Our audit findings and recommendations have been discussed with the Charter School's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve Charter School's operations and facilitate compliance with legal and administrative requirements. We appreciate the Charter School's cooperation during the conduct of the audit.

Sincerely,

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

EUGENE A. DEPASQUALE
Auditor General

March 7, 2013

cc: **ROBERTO CLEMENTE CHARTER SCHOOL** Board of Trustees



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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Roberto Clemente 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 September 22, 2006 through November 18, 2010, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidy and reimbursements was determined for school years 2007-08 and 2006-07, as they were the most recent reimbursements subject to audit. The audit evidence necessary to determine compliance specific to reimbursements is not available for audit until 16 months, or more, after the close of a school year.

Charter School Background

The Charter School, located in Lehigh County, Pennsylvania, opened in September 2000. It was originally chartered on September 7, 1999, for a period of five years by the School District of the City of Allentown. The Charter School's mission states: "it seeks to inspire and educate students; to provide each with a sense of belonging; to instill in each a generosity of spirit, cultural identity, and pride; to ensure physical and emotional safety; and to help students develop the values of integrity,

fairness, honesty, responsibility, citizenship, and respect for other individuals." During the 2009-10 school year, the Charter School provided educational services to 320 pupils from the School District of the City of Allentown through the employment of 21 teachers, 13 full-time and part-time support personnel, and 8 administrators. The Charter School received \$187,362 in tuition payments from school districts required to pay for their students attending the Charter School in school year 2007-08.

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 (NCLB) of 2001 requiring that all students reach proficiency in Reading and Math by 2014. For a school to meet AYP measures, students in the school 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.

Audit Conclusion and Results

Our audit found significant noncompliance with state laws and administrative procedures, as detailed in the five audit findings within this report. A summary of these results is presented below. These findings include recommendations aimed at the Charter School and a number of different government entities, including the Pennsylvania Department of Education, the State Ethics Commission, and the authorizing school district.

Finding No. 1: Roberto Clemente Charter School Improperly Received \$191,267 in State Lease Reimbursement.

Our audit found that the Charter School improperly received \$191,267 for the school years 2006-07 through 2009-10 in state lease reimbursements for their building that was ineligible for those payments because it is owned by the organization that founded the Charter School and that shares a common officer in charge of both entities. As such, the Charter School has ownership interest in the building that it is essentially leasing back to itself, and buildings owned by the Charter School are not eligible for state lease reimbursement (see page 10).

Finding No. 2: Certification Deficiencies and Failure to Comply with the 75 Percent Certified Staff Requirements of the Charter School Law. Our audit of the professional employees' certification and assignments for the period September 1, 2006 through June 30, 2010, found the Charter School did not meet the 75 percent certification requirement for its professional staff during the 2009-10 school year. A principal was employed from August 2007 to current without professional

certification required by the State Board of Education and a special education teacher was not certified for the 2009-10 school year (see page 13).

Finding No. 3: Possible Conflict of Interest Transaction. Our review of lease agreements, property deeds, minutes of the meeting of the board of trustees, and an interview with Charter School personnel found a possible conflict of interest transaction (see page 17).

Finding No. 4: Lack of Memorandum of Understanding. The Charter School did not have a signed Memorandum of Understanding from the local law enforcement agency available for audit (see page 23).

Finding No. 5: Continued Failure of Board of Trustees' Members and Principal/CEO to File their Statement of Financial Interests During the Audit Period. Our audit of Charter School records for the calendar years ended December 31, 2009, 2008, and 2007 found continued errors in the filing of their Statement of Financial Interests forms. During the 2007 calendar year, three board members and the school principal/chief executive officer failed to file their Statement of Financial Interests forms (see page 25).

Status of Prior Audit Findings and Observations. With regard to the status of our prior audit recommendations to the Charter School from an audit we conducted of the 2005-06, 2004-05 and 2003-04 school years, we found the Charter School had not taken appropriate corrective action in implementing our recommendations pertaining to principals and board members failing to file their Statement of Financial Interests forms (see page 27).

Background Information on Pennsylvania Charter Schools

Description of Pennsylvania Charter Schools:

Charter and cyber charter schools are taxpayer-funded public schools, just like traditional public schools. There is no additional cost to the student associated with attending a charter or cyber charter school. Charter and cyber charter schools operate free from many educational mandates, except for those concerning nondiscrimination, health and safety, and accountability.

Pennsylvania ranks high compared to other states in the number of charter schools:

According to the Center for Education Reform, Pennsylvania has the 7th highest charter school student enrollment, and the 10th largest number of operating charter schools, in the United States.

Source: "National Charter School and Enrollment Statistics 2010." October, 2010.

Pennsylvania Charter School Law

Pennsylvania's charter schools were established by the Charter School Law (Law), enacted through Act 22 of 1997, as amended. In the preamble of the Law, the General Assembly stated its intent to provide teachers, parents, students, and community members with the opportunity to establish schools that were independent of the existing school district structure.¹ In addition, the preamble provides that charter schools are intended to, among other things, improve student learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.²

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

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A(a).

⁴ *Id.* § 17-1717-A(c).

⁵ *Id.* § 17-1717-A(d).

⁶ *Id.* § 17-1717-A(f).

⁷ 24 P.S. § 17-1721-A(a).

With certain exceptions for charter schools within the School District of Philadelphia, initial charters are valid for a period of no less than three years and no more than five years.⁸ After that, the local school board can choose to renew a school's charter every five years, based on a variety of information, such as the charter school's most recent annual report, financial audits, and standardized test scores. The board can immediately revoke a charter if the school has endangered the health and welfare of its students and/or faculty. However, under those circumstances, the board must hold a public hearing on the issue before it makes its final decision.⁹

Act 88 of 2002 amended the Law to distinguish cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means, from brick-and-mortar charter schools that *operate in buildings similar to school districts*.¹⁰ Unlike brick-and-mortar charter schools, cyber charter schools must submit their application to the Pennsylvania Department of Education (PDE), which determines whether the application for a charter should be granted or denied.¹¹ However, if PDE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.¹² In addition, PDE is responsible for renewing and revoking the charters of cyber charter schools.¹³ Cyber charter schools that had their charter initially approved by a local school district prior to August 15, 2002, must seek renewal of their charter from PDE.¹⁴

Funding of Pennsylvania Charter Schools:

Brick-and mortar charter schools and cyber charter schools are funded in the same manner, which is primarily through tuition payments made by school districts for students who have transferred to a charter or cyber charter school.

The 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 Charter School Law, the sending school district must pay the charter/cyber charter school a per-pupil tuition rate

⁸ 24 P.S. § 17-1720-A(a).

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

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

¹¹ 24 P.S. § 17-1745-A(d).

¹² *Id.* § 17-1745-A(f)(4).

¹³ 24 P.S. § 17-1741-A(a)(3).

¹⁴ 24 P.S. § 17-1750-A(e).

based on its own budgeted costs, minus specified expenditures, for the prior school year.¹⁵ For special education students, the same funding formula applies, plus an additional per-pupil amount based upon the sending district's special education expenditures divided by a state-determined percentage specific to the 1996-97 school year.¹⁶ The Charter School Law also requires that charter schools bill each sending school district on a monthly basis for students attending the charter school.¹⁷

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

Under the 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.¹⁸ Commonwealth reimbursements for charter school costs are funded through an education appropriation in the state's annual budget. However, the enacted state budget for the 2011-12 fiscal year eliminated funding of the Charter School reimbursement previously paid to sending school districts.¹⁹

¹⁵ See 24 P.S. § 17-1725-A(a)(2).

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

¹⁷ See 24 P.S. § 17-1725-A(a)(5).

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

¹⁹ 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 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 September 22, 2006 through November 18, 2010, except for the verification of professional employee certification which was performed for the period September 1, 2006 through June 30, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07 because the audit evidence necessary to determine compliance, including payment verification from the Commonwealth's Comptroller Operations and other supporting documentation from the Pennsylvania Department of Education (PDE), is not available for audit until 16 months, or more, after the close of a school year.

For the purposes of our audit work and to be consistent with PDE reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

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 1949²⁰ (PSC) and the Charter School Law²¹ (Law)?

²⁰ 24 P.S. § 1-101 *et seq.*

²¹ 24 P.S. § 17-1701-A *et seq.*

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

- ✓ 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 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?²²
- ✓ Did the Charter School comply with the open enrollment and lottery provisions of the Law?
- ✓ 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 board of trustees and administrators, and the chartering school board members 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?
- ✓ Did the Charter School accurately report its membership numbers to PDE and were its average daily membership and tuition billings accurate?

²² 65 Pa.C.S. § 1101 *et seq.*

- ✓ Did the Charter School comply with the Law’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?²³
- ✓ Did the Charter School take appropriate steps to ensure school safety?
- ✓ Did the Charter School require that all of its employees enroll in the Public School Employees’ Retirement System at the time of filing its charter school application as required by the Law, 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 use an outside vendor to maintain its membership data, and if so, are 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?

Methodology

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, observations, and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, observations and conclusions based on our audit objectives.

Charter School 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. Within the context of our audit objectives, we obtained an

²³ 22 Pa. Code § 11.24.

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.

understanding of internal controls and assessed whether those controls were properly designed and implemented.

Any significant deficiencies found during the audit 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, vendor contracts, 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 selected administrators and support personnel associated with Charter School operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on June 18, 2007, we reviewed the Charter School's response and then performed additional audit procedures targeting the previously reported matters.

Findings and Observations

Finding No. 1

Roberto Clemente Charter School Improperly Received \$191,267 in State Lease Reimbursement

Relevant Public School Code provisions and related criteria:

Section 2574.3(a) of the Public School Code (PSC), 24 P.S. § 25-2574.3(a) states as follows:

“For leases of buildings or portions of buildings for charter school use which have been approved by the Secretary of Education on or after July 1, 2001, the Department of Education shall calculate an approved reimbursable annual rental charge.”

“Approved reimbursable annual rental for such approved leases of buildings or portions of buildings for charter school use shall be the lesser of (i) the annual rental payable under the provisions of the approved lease agreement, or (ii) the product of the enrollment, as determined by DE, times one hundred sixty dollars (\$160) for elementary schools, two hundred twenty dollars (\$220) for secondary schools, or two hundred seventy dollars (\$270) for area vocational-technical schools.”

“The Commonwealth shall pay, annually, for the school year 2001-2002 and each school year thereafter, to each charter school which leases with the approval of DE buildings or portions of buildings for charter school use under these provisions, an amount determined by multiplying the aid ratio of the charter school by the approved reimbursable annual rental.”

Our audit found that the Roberto Clemente Charter School (Charter School) improperly received \$191,267 for the school years 2006-07 through 2009-10 in state lease reimbursements for their building that was ineligible for those payments because the Charter School is essentially leasing the building to itself through the organization (Founding Organization) that founded the Charter School. Moreover, the chief executive officer (CEO) of the Founding Organization is also the chief administrative officer (CAO) of the Charter School, so the same individual is in charge of both the Charter School and the Founding Organization the Charter School is leasing its building from.

The Charter School has one building that formerly housed the Founding Organization. The building is a permanent education space that serves the Charter School’s students in grades 6 through 12. The Charter School has been located in this building since it was first chartered in 2000. Under the Commonwealth’s Reimbursement for Charter School Lease Program, the Charter School applied for and received the following:

School Year	Amount Applied/Received
2006-07	\$42,517
2007-08	\$39,429
2008-09	\$58,541
2009-10	\$50,780

According to the permanent education building’s deed, the Founding Organization has owned it since December 28, 1995. The deed shows the Founding Organization purchased the property for \$1.00. In addition, the lease agreement for that building, which was first signed on March 27, 2000, and then renewed annually up through June 30, 2010, lists the Founding Organization as both the landlord and the tenant.

Charter School Lease Reimbursement Program Directives from Bureau of Budget and Fiscal Management, PDE, state, in part:

“Buildings owned by the charter school are not eligible for reimbursement under this program. Payments related to the acquisition of a building do not qualify for reimbursement under the program.”

Under the Pennsylvania Department of Education’s (PDE) eligibility requirements, which are based on Section 2574.3(a) of the PSC, buildings owned by a charter school do not qualify for state reimbursement under the Reimbursement for Charter School Lease Program. Since the Charter School and the Founding Organization are related entities that also share the same individual as CEO and CAO, the Charter School has ownership interest in the building that it is essentially leasing to itself. Therefore, the Charter School has improperly received rental reimbursement for this building for the past four years.

According to the Charter School’s administration, they were unaware that the Charter School-owned building was ineligible for compensation from the Reimbursement for Charter School Lease Program. In addition, they noted that because PDE had never questioned their application, they had no reason to believe that there was a problem.

Recommendations

The *Roberto Clemente Charter School* should:

1. End the practice of leasing its permanent education building to itself, and cease applying for payment from the Reimbursement for Charter Schools Lease Program for the permanent building.
2. Ensure that its solicitor and business manager review and approve the terms of all and any reimbursement prior to submitting an application.
3. Request its solicitor to provide a detailed summary of all the Charter School’s legal requirements under the PSC and the Charter School Law.

The *Pennsylvania Department of Education* should:

4. Require the Charter School to pay back the \$191,267 owed to the Commonwealth for the improper reimbursement it received from the Reimbursement for Charter Schools Lease Program.

Management Response

Auditor’s note: The Charter School’s responses identified individuals and entities by their specific names, which the Department of the Auditor General has replaced with position titles and entity type as they were identified throughout the report.

Management stated the following:

The Roberto Clemente Charter School (“RCCS”) disagrees with the finding that it improperly received \$191,267 in State Lease Reimbursement. RCCS believes that the Department of the Auditor General improperly proposed a finding that there is a possible conflict of interest transaction between RCCS and its landlord, the [Founding Organization]. Based upon this improper finding, the Department of the Auditor General is proposing that the above mentioned lease reimbursement was improper. The facts surrounding the lease arrangement demonstrate that there is no conflict of interest for the reasons stated in response to that proposed finding. RCCS properly received \$191,267 in State Lease Reimbursement for the fiscal years ending June 30, 2007 and 2008.

Auditor Conclusion

As stated in the body of the finding, because the Charter School was leasing its permanent education building to itself, it is our opinion that ownership exists. Therefore, the finding will stand as presented for all of the four school years listed and will be referred to PDE for final determination as PDE is responsible for administering the Charter School Lease Reimbursement Program.

Finding No. 2

Certification Deficiencies and Failure to Comply with the 75 Percent Certified Staff Requirements of the Charter School Law

Charter School Law and Pennsylvania regulations relevant to the finding:

Section 17-1724-A(a) of the CSL, 24 P.S. § 17-1724-A(a), requires that “. . . [A]t least seventy-five per centum of the professional staff members of a charter school shall hold appropriate State certification.”

Section 1732-A(a) of the CSL, 24 P.S. § 17-1732-A(a), provides that charter schools shall be subject to Section 1109 of the PSC, 24 P.S. § 11-1109, which provides in part:

“Every principal . . . who devotes one-half or more of his time to supervision and administration, shall be properly certified by the Department of Public Instruction in accordance with such standards as the State Board of Education may establish.”

Chapter 711 regulations require:

“Persons who provide special education or related services to children with disabilities in charter schools and cyber charter schools shall have appropriate certification . . .” (22 Pa. Code § 711.5(a))

Our audit of the professional employees’ certification and assignments for the period September 1, 2006 through June 30, 2010, was performed to determine compliance with the Charter School Law (CSL), the Public School Code (PSC), Chapter 711 of the Pennsylvania Code (Chapter 711), and the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality’s (BSLTQ) Certification and Staffing Policies and Guidelines (CSPG).

Our audit found the following certification violations:

- The Roberto Clemente Charter School (Charter School) did not meet the requirement under the CSL that at least 75 percent of its professional staff hold appropriate state certification during the 2009-10 school year.
- A principal was employed during the 2007-08, 2008-09, and 2009-10 school years without proper professional certification as required by the State Board of Education.
- A special education teacher was not certified for the 2009-10 school year.

Non-compliance with Seventy-Five Percent Certification Requirement

Our audit found the Charter School was in violation of the CSL’s requirement to have at least 75 percent of its professional staff appropriately state certified in their area of administrative responsibility or subject area in which they teach. Instead, 74 percent of the Charter School’s professional staff had state certification in the 2009-10 school year.

Non-compliance with Principal Certification Requirement

Our audit found that the Charter School’s principal was not certified as a principal during the 2007-08, 2008-09, and 2009-10 school years, which is required by the CSL and PSC. Moreover, all principals must hold appropriate state

certification and cannot be part of the 25 percent noncertified professional staff allowed at charter and cyber charter schools.

Non-compliance with Special Education Requirement

We found that the Charter School did not comply with the CSL and Chapter 711 requirements that all special education teachers be properly state certified. Specifically, the Charter School's special education teacher did not hold appropriate certification for the 2009-10 school year. All special education professional staff must hold appropriate state certification and cannot be part of the 25 percent non-certified staff allowed at charter schools.

Certification Determination from PDE's BSLTQ

Information pertaining to the certification deficiencies was submitted to PDE's BSLTQ for review. On September 18, 2011, the BSLTQ determined that the principal was employed by the Charter School for the 2007-08, 2008-09, and 2009-10 school years without the proper principal certificate or emergency permit and the special education teacher was employed by the Charter School without the proper special education certificate or emergency permit.

Unlike traditional school districts, charter schools are not subject to subsidy forfeitures for certification deficiencies. As such, the BSLTQ issued citations for these deficiencies, but no monetary penalties were imposed upon the Charter School.

Lack of properly certified teachers could result in the Charter School's students not receiving a quality education or special services to which they are entitled. In addition, certification deficiencies may force a chartering school district to not renew or revoke a charter because the charter school has not fulfilled its contractual obligations to provide required certified instructors, such as employing a properly certified principal and special education staff.

The certification violations were the result of the Charter School's failure to monitor applicable certification requirements.

Recommendations

The *Roberto Clemente Charter School* should require:

1. At least 75 percent of the professional employees be properly certified for their assigned positions, for the entire school year, in compliance with the CSL.
2. The Charter School's principal to obtain proper certification to perform the duties reserved to a principal's certification or cease performing those duties.
3. The Charter School's special education professional staff to obtain proper certification to perform the duties reserved to a special education certification or cease performing those duties.
4. Administrative personnel be provided with sufficient training in order to understand and manage certification requirements as defined by the CSL and PDE's CSPGs.

As the authorizing school district, the *School District of the City of Allentown* should:

5. Follow up with the Charter School regarding these individuals' future teaching assignments and certification status.
6. Ensure that the Charter School is meeting the CSL's requirement to employ at least 75 percent certified staff.
7. Verify that all special education staff are properly state certified.
8. Review the charter of the Charter School and determine whether the Charter School is violating certification terms of its approved charter with the district.

Management Response

Management stated the following:

The applications for the emergency certifications were not submitted on time. Future applications will be completed and submitted by the specified due dates. Special

certification requirements will be examined on a case by case basis with PDE.

Finding No. 3

Possible Conflict of Interest Transaction

Relevant statutory provisions and related criteria:

Section 1716-A(a) of the Charter School Law (CSL), 24 P.S. 17-1716-A(a), requires the board of a charter school to exercise control over budgeting and operating procedures.

Section 1102 of the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. 1102, defines “conflict” or “conflict of interest” as use by a public official or public employee of the authority of his office or employment or any confidential information received through his holding public office or employment for the private pecuniary benefit of himself, a member of his immediate family or a business with which he or a member of his immediate family is associated.

Section 1103(a) of the Ethics Act, 65 Pa.C.S. 1103(a), states that no public official shall engage in conduct that constitutes a conflict of interest.

Section 1103(f) of the Ethics Act, 65 Pa.C.S. 1103(f), states that no public official or public employee or his spouse or child of any business in which the person or his spouse or child is associated shall enter into any contract valued at \$500 or more with the governmental body with which the public official or public employee is associated unless the contract has been awarded through an open and public process, including prior public notice and subsequent public disclosure of all proposals considered and contracts awarded. In such a case, the public official or public employee shall not have any supervisory or overall responsibility for the implementation or administration of the contract.

Our review of lease agreements, property deeds, minutes of the meeting of the board of trustees, and an interview with Roberto Clemente Charter School (Charter School) personnel found possible conflicts of interest involving the approval and administration of a lease agreement between the Charter School and the organization (Founding Organization) that founded the Charter School and the actual ownership of the building being leased. As explained in detail in Finding No. 1, the Charter School and the Founding Organization are related entities that also share the same individual as the chief executive officer (CEO) and the chief administrative officer (CAO). Moreover, there are also two Charter School board of trustees' members on the Founding Organization's board. The Founding Organization owns the building that the Charter School is leasing. The common officers noted approved and signed the leases between these related entities. Furthermore, since the same individual is in charge of both the Charter School and the Founding Organization, the Charter School has ownership interest in the building that it is essentially leasing back to itself.

Specifically, the lease agreement periods were for each school year from July 1, 2007 through June 30, 2010, with a monthly payment of \$28,042 for a total of \$336,504 for twelve months. Prior to these agreements, it was a ten-month agreement that covered from September 1, 2006 through June 30, 2007, with a monthly payment of \$15,827 for a total of \$158,270.

The current lease agreement for the period July 1, 2010 to June 30, 2015, still has a monthly payment of \$28,042. However, the Charter School is responsible for paying the heat, water, electric, sewer, HVAC, garbage removal, wiring (electrical and net working), elevator/kitchen maintenance, gym floor, annual maintenance, telephone (including repair/maintenance), janitorial service, snow removal, security systems monitoring fees, and upkeep of the building. Additionally, the Charter School shall be obligated to pay any real estate taxes which may be assessed upon the premises or any payments in lieu of taxes as may become payable. The landlord reserves the right to use a portion of the basement for a daycare center. The

Any contract or subcontract made in violation of this subsection shall be voidable by a court of competent jurisdiction if the suit is commenced within 90 days of the making of the contract or subcontract.

Charter School also conducts adult education courses during the evening and weekends.

This lease is signed by the CAO of the Charter School on behalf of the Founding Organization as the “lessor” and the Founding Organization board member (who is also a Charter School board of trustees’ member) signing for the Charter School as the “Lessee.” These signors are consistent with the lease for the 2009-10 school year.

Consequently, possible violations of the Public Official and Employee Ethics Act (Ethics Act) may have occurred when the same individual served and made decisions as CEO/CAO for both entities, the Founding Organization and the Charter School, and two board members seated on boards of both entities participated in the awarding of lease agreements at a time when both had a reasonable expectation that the Founding Organization would receive a financial benefit from the contracts. Moreover, the lease arrangement between these related parties resulted in the Charter School improperly applying for and receiving state lease reimbursements (see Finding No. 1).

As public officials, to represent the best interest of the taxpayers and students, it is the responsibility of the board of trustees to adhere to sound business practice and strong financial management. Moreover, the board must ensure that the Charter School is following all mandates of law, including provisions of the CSL.

A copy of this finding will be forwarded to the State Ethics Commission for its review and determination.

Recommendations

The *Roberto Clemente Charter School* should:

1. Seek the advice of its solicitor regarding the board of trustees’ responsibility for Charter School employees associated with contracts the Charter School administers.
2. Require Charter School administration to strengthen controls over its contract award process to help ensure detection of potential conflicts of interest.
3. Strengthen controls to help ensure compliance with state laws regarding Charter School employees who conduct business with the Charter School.

4. Require that the Charter School strengthen controls regarding the review process of the State Ethics Commission financial disclosure statements to help ensure detection of any potential conflicts of interest.
5. Ensure public disclosure of all contracts awarded during board meetings.

The *State Ethics Commission* should determine if the Ethics Act has been violated by:

6. Reviewing the contracts for lease agreements with the CEO of the Charter School to determine if additional ethics violations have occurred.
7. Reviewing items purchased by the Charter School to determine if more Ethics Act violations have occurred.

Management Response

Management stated the following:

The Roberto Clemente [Charter School] (RCCS) disagrees with the finding that there is a possible conflict of interest transaction. Specifically, the Department of Auditor General advised the RCCS administration of its finding that a possible conflict of interest existed because RCCS is making rental payments to the [Founding Organization] for the rental of the premises owned by [Founding Organization] in which the RCCS's middle and high schools, gymnasium, cafeteria and administrative offices are located. The auditors cited this rental arrangement as constituting a possible conflict of interest because two RCCS Board of Trustee members are also members of the [Founding Organization] Board, and because the RCCS CAO is also the Executive Director of [Founding Organization]. Please note, that both individuals have been members of both the RCCS and [Founding Organization] boards since RCCS's inception. Further, note that initially the CEO who thereafter became the CAO of RCCS is and has been the Executive Director of [Founding Organization] since RCCS's inception.

The limited interlocking boards were by design and were fully and specifically disclosed to the Allentown School District (ASD) in RCCS's application for a charter, as was the lease arrangement. ASD reviewed RCCS's information concerning the limited interlocking board and lease

between [Founding Organization] and RCCS, and did not find the arrangement inappropriate since RCCS was granted a charter at the subject location. Further, the limited interlocking boards and the lease were fully disclosed to the Tax Exempt Division of the Internal Revenue Service (IRS) in the RCCS's application for §501(c)(3) tax exempt status. Likewise, the IRS reviewed this information, did not find it problematic and granted RCCS §501(c)(3) tax exempt status. Additionally, the limited interlocking boards and the lease were fully disclosed to the Pennsylvania Department of Education and the Department of Auditor General at all prior audits and RCCS was never previously cited with a finding of a potential conflict of interest due to this relationship. The lease arrangement is and has always been fully disclosed and has been subject to prior repeated review.

Also, consider that RCCS has nine board members. The two interlocking board members do not represent a majority of the RCCS board members. Further, CAO is not and has never been a voting member of the RCCS board. All other members of the RCCS Board are duly advised regarding the limited interlocking board members and that its CAO is the [Founding Organization] Executive Director. Further, all other board members are fully aware that Founding Organization is the landlord of the building which RCCS occupies. The PA nonprofit corporation law provides that, "A director of a nonprofit corporation shall stand in a fiduciary relation to the corporation and shall perform his duties as a director, including his duties as a member of any committee of the board upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of the corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. . . ."15 Pa.C.S.A. §5712. This fiduciary obligation instructs the entire board and prevents any conflict of interest.

The facts regarding the lease arrangement, discussed hereinafter, clearly demonstrate that interlocking board members and the CAO have very clearly and scrupulously complied with their fiduciary and ethical obligations to RCCS.

By way of additional information, please be advised that [Founding Organization] is the founding organization for

RCCS. [The Founding Organization] applied for and received planning and start-up funding grants from the Secretary of Education of the Commonwealth of Pennsylvania as an eligible applicant. These funds were used to develop the plans, curriculum and address other matters necessary for the establishment of the charter school. [The Founding Organization] established and paid the associated costs for the creation of RCCS as a nonprofit corporation. [The Founding Organization] prepared and paid the costs for the application and receipt of federal §501(c)(3) tax exempt status for RCCS. Further [the Founding Organization] permitted RCCS to share a portion of the premises in which its principal offices were located at substantially reduced rents for RCCS's first seven years of operation. In fact, as RCCS expanded its enrollment over the years and RCCS needed more and more space for its classrooms and operations, [the Founding Organization] expanded the building to include an art room, additional classrooms, gymnasium, library, kitchen and cafeteria. In fact, [the Founding Organization] moved its offices and operations to a new location in order to accommodate RCCS's growth. It was not until the 8th year of RCCS operations, when [the Founding Organization] relocated its offices off-premises, that the lease amount paid by RCCS to [the Founding Organization] was increased to approximate fair market rent, at a somewhat discounted rate if only the square foot rental amount is considered. Please note, the present and prior leases between [the Founding Organization] and RCCS do not charge RCCS for the rental of the gymnasium (5,411 square feet) and rental of the kitchen and cafeteria (2,245 square feet). The gymnasium, kitchen and cafeteria are used by RCCS before, during and after school for gym class, assemblies, extracurricular activities, breakfast, lunch meetings and events. Also consider that, [the Founding Organization] has paid the utilities at the subject premises until the present year. RCCS is unable to locate any substantially equivalent commercial rentals that include the payment of utilities by the landlord.

[The Founding Organization]'s largess to RCCS in the form of the substantially reduced rental rates for an extended period of time and the gratuitous use of the gymnasium, kitchen and cafeteria has permitted RCCS to use more of its funds to directly benefit its students. RCCS has been able to use its resources that would have otherwise been paid for fair market rentals and utilities to continually

develop and improve its curriculum, professional development plans, and enrichment activities for the students. RCCS has been able to development a myriad of educational programs for the students including, but not limited to, tutoring, in-classroom teachers' aides, Saturday school, summer preparedness classes and parental development and enrichment programs. RCCS would not be able to offer the expanded programs and teacher training and professional development, if it did not have a supportive and generous landlord.

When the facts concerning the lease arrangement between [the Founding Organization] and RCCS are evaluated, the only possible conclusion that may be made its that there is no conflict of interest, but rather scrupulous RCCS fiduciaries that have properly and consistently exercised their fiduciary obligations only for the best interests of RCCS with respect to the lease arrangement with Founding Organization.

Auditor Conclusion

Because the current building lease agreement for the period July 1, 2010 to June 30, 2015, was signed by the Charter School's CAO, also the CEO of the Founding Organization, as the "lessor" and two board members seated on the boards of both entities participated in the awarding of the lease, there is ample evidence of possible conflicts of interest, shared ownership in the building, and questionable leasing arrangements between related parties. Furthermore, more directly germane to the fiduciary duties of members of the charter School board of trustees are those outlined under Section 17-1716-A(a) of the CSL, 24 P.S. § 17-1716-A(a), and the Ethics Act, rather than those duties under Section 5712 of the Nonprofit Corporation Law of 1998, 15 Pa.C.S. § 5712 as cited in management's response. Therefore, it is the auditor's conclusion that this finding must stand as presented, which will be forwarded to the State Ethics Commission and the Pennsylvania Department of Education for further review and determination.

Finding No. 4

Lack of Memorandum of Understanding

Public School Code (PSC) and criteria relevant to the finding:

Section 13-1303-A(c) of the PSC, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was **February 15, 2011**. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means “an event that occurs every two years.”

Prior to enactment of additional Memorandum of Understanding (MOU) requirements on November 7, 2010, all public schools were required to develop a memorandum of understanding with local law enforcement.

Our audit of the Roberto Clemente Charter School’s (Charter School) records found that the Charter School did not have a signed Memorandum of Understanding (MOU) with the local law enforcement agency available for audit having jurisdiction over school property setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property as required by law.

The failure to obtain a signed MOU with all local law enforcement agencies 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 or school-sponsored activity or any public conveyance providing transportation to or from school or school-sponsored activity. Non-compliance with the statutory requirement to have a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

Moreover, recently enacted amendments to the safe schools provisions of the PSC expand upon the requirement to develop a MOU with local law enforcement and necessitate public schools to biennially update and re-execute a MOU and file it with the Pennsylvania Department of Education’s (PDE) Office of Safe Schools on a biennial basis, beginning with the first filing deadline of June 30, 2011.

The Charter School’s administrative personnel were not aware that they needed to have a MOU with the appropriate local law enforcement agency.

During our audit, the Charter School and its local law enforcement agency signed a MOU on July 23, 2010.

The *Roberto Clemente Charter School* should:

1. Continue to develop a MOU with all police departments having jurisdiction over school property pursuant to the terms prescribed by law.
2. In consultation with its solicitor, review new requirements for a MOU and other school safety areas

Recommendations

under the PSC to ensure compliance with amended Safe Schools provisions enacted November 17, 2010.

3. Adopt an official board policy requiring administration to develop a MOU with all police departments having jurisdiction over school property and biennially update and re-execute each MOU and file a copy with PDE's Office of Safe Schools on a biennial basis, beginning with the first filing deadline of June 30, 2011.

Management Response

Management stated the following:

We were not aware that we needed to have an independent Memorandum of Understanding. As soon as we were informed, we started the process which lasted approximately two months. We presently have a signed Memorandum of Understanding between the [local law enforcement agency] and the school.

Finding No. 5

Continued Failure of Board of Trustees' Members and Principal/CEO to File Their Statement of Financial Interests Form During the Audit Period

Public School Code section relevant to the finding:

Section 1104(d) of the Public Official and Employee Ethics Act (Ethics Act), which pertains to the failure to file the required Statement of Financial Interests, provides, in pertinent part:

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) 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) 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.

Our audit of Roberto Clemente Charter School (Charter School) records for the calendar years ended December 31, 2009, 2008, and 2007 found continued errors in the filing of their Statement of Financial Interests forms. During the 2007 calendar year, three board members and the school principal/chief executive officer (CEO) failed to file their Statement of Financial Interests form.

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 complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

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, the board members' failure to file the Statement of Financial Interests constitutes a violation of the Ethics Act.

The errors occurred in part because the Charter School's personnel were not aware that the principal/CEO and board of trustees' members had failed to file a Statement of Financial Interests form.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and determination.

Recommendations

The *Roberto Clemente Charter School* should:

1. Seek the advice of its solicitor with regard to the board of trustees' responsibility when a member fails to file a Statement of Financial Interests form.
2. Develop procedures to ensure that all individuals required to file a Statement of Financial Interests form do so in compliance with the Ethics Act.

Management Response

Management stated the following:

In the process of securing missing Financial Interest Forms, incorrectly dated forms were used. This resulted in the missing forms not being accepted or completed in error. In the future, the following steps will be implemented to assure 100% compliance of this problem. All individuals required to complete the form by May of the following year will be given the form 60-90 days in advance, explained the importance of accurate and timely completion, and an Administrative individual of Roberto Clemente Charter School will follow-up to ensure all forms are secured and completed using the correctly dated form.

Status of Prior Audit Findings and Observations

Our prior audit of the Roberto Clemente Charter School (Charter School) for the school years 2005-06, 2004-05, and 2003-04 resulted in one reported finding and three observations. The finding pertained to the principal and board of trustees' members failing to file their Statement of Financial Interests forms. The first observation pertained to the Charter School reporting that it was successful in meeting many of its annual measurable goals, the second pertained to the School District of the City of Allentown (SDCA) paying the Charter School \$474,888 more than the actual cost of education, and the third pertained to the Commonwealth of Pennsylvania reimbursing the SDCA a total of \$1,066,703 for students attending the Charter School for the school years 2005-06, 2004-05, and 2003-04. As part of our current audit, we determined the status of corrective action taken by the Charter School to implement our prior recommendations. We performed audit procedures and questioned Charter School personnel regarding the prior finding and observations. As shown below, we found that the Charter School did not implement recommendations related to filing their Statement of Financial Interests forms.

School Years 2005-06, 2004-05, and 2003-04 Auditor General Performance Audit Report

Finding: **A Total of 8 of 11 Board Members and 3 of 4 School Principals Failed to File their Statements of Financial Interests and a Total of 6 of 11 Board Members Failed to Timely File their Statements During the Audit Period**

Finding Summary: Our prior audit of Charter School for the calendar years ended December 31, 2005, 2004, and 2003 found that 8 of 11 board of trustees' members and 3 of 4 school principals, who served during some period covered in the prior audit report, failed to file their Statement of Financial Interests form. Additionally, a total of 6 of 11 board of trustees' members failed to file their Statement of Financial Interests form on time on one or more occasions.

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

1. Seek the advice of its solicitor with regard to the board of trustees' responsibility when a member fails to file a Statement of Financial Interests form.
2. Develop procedures to ensure that all individuals required to file a Statement of Financial Interests form do so in compliance with the Ethics Act.

Current Status: During our current audit procedures, we found that the Charter School had continued errors in the filing of their Statement of Financial Interests forms for the calendar years ended December 31, 2009, 2008, and 2007. During the 2007 calendar year, three board of trustees' members and the school principal/chief executive officer failed to file their Statement of Financial Interests forms.

Observation No. 1: The Charter School Reported That It Was Successful in Meeting Many of Its Annual Measurable Goals

Observation Summary:

Our prior audit review of the annual measurable goals for the 2005-06, 2004-05, and 2003-04 school years found that four goals were not met.

Recommendations:

Our audit observation recommended that the Charter School should:

1. Review its policy and procedures and, if necessary, implement revisions, and monitoring procedures to ensure that all measurable goals are met.
2. Develop and implement a system to monitor and improve, when necessary, the parental participation percentage.
3. Provide and monitor attendance for Pennsylvania System of School Assessment preparation classes.
4. Revise curriculum for better adherence to state standards.

Current Status:

During our current audit procedures, this objective was not a part of the audit scope for this audit cycle because it was later determined by the Department that these goals were not a good indicator of whether the Charter School was meeting its stated purpose and mission since these goals were self reported. Therefore, there was no follow-up to address the status of this observation.

Observation No. 2: In Accordance with the Charter School Law, Allentown City School District Paid the Charter School \$474,888 More Than the Actual Cost of Education for the 2005-06, 2004-05 and 2003-04 School Years

Observation Summary:

Our prior audit review of the Charter School's tuition for the 2005-06, 2004-05, and 2003-04 school years found a significant difference between the amount paid by the SDCA to the Charter School's actual cost of educating those students.

Recommendations: The Governor and the Pennsylvania General Assembly, in consultation with the Pennsylvania Department of Education (PDE), as well as the affected charter schools and school districts should:

1. Review the current formula for calculating tuition at charter schools.
2. Require the Commonwealth and sending school districts to make tuition payments based only on the actual cost of educating students at the charter school.
3. Require charter schools to perform reconciliation at the end of each school year and return any overpayments to the sending school district or collect any underpayments from the sending districts.

Current Status: During our current audit procedures, this objective was not a part of the audit scope for this audit cycle. Therefore, there was no follow-up to address the status of this observation. However, the Department reviewed this issue on a statewide level and issued a charter school funding report dated September 2010.

Observation No. 3: In Accordance with the Public School Code, the Commonwealth Reimbursed Allentown City School District a Total of \$1,066,703 for the 2005-06, 2004-05 and 2003-04 School Years

Observation Summary:

Our prior audit determined that the Commonwealth and ultimately, its state taxpayers reimbursed the SDCA a total of \$1,066,703 for its students attending the Charter School during the prior audit period.

Recommendations: The Governor and the Pennsylvania General Assembly, in consultation with PDE, as well as the affected charter schools and school districts should:

1. Review the current state reimbursement formula, and the basis.
2. Amend the law to ensure that the Commonwealths' taxpayers are not overburdened by the cost of operating independent public school charter schools.

Current Status: During our current audit procedures, this objective was not a part of the audit scope for this audit cycle. Therefore, there was no follow-up to address the status of this observation. However, the Department reviewed this issue on a statewide level and issued a charter school funding report dated September 2010.



Distribution List

This report was initially distributed to the chief executive officer of the Charter School, the board of trustees' members, our website address at www.auditor.gen.state.pa.us, and the following:

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