

SUGAR VALLEY RURAL CHARTER SCHOOL
CLINTON COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

FEBRUARY 2012

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

Ms. Sandra Garverick, Board President
Sugar Valley Rural Charter School
236 East Main Street
Loganton, Pennsylvania 17747

Dear Governor Corbett and Ms. Garverick:

We conducted a performance audit of the Sugar Valley Rural Charter School (SVRCS) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period July 1, 2006 through September 15, 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. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the SVRCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in two findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of these results is presented in the Executive Summary section of the audit report.

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

Sincerely,

/s/

JACK WAGNER
Auditor General

February 17, 2012

cc: **SUGAR VALLEY RURAL 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 Sugar Valley Rural Charter School (hereinafter referred to as “SVRCS” or “Charter School”). Our audit sought to answer certain questions regarding the SVRCS’s compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period July 1, 2006 through September 15, 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.

School Background

The SVRCS, located in Clinton County, Pennsylvania opened in August 2000. It was originally chartered on December 14, 1999, for a period of five years, by the Keystone Central School District. SVRCS’s mission states: “It seeks to provide a rural, community-oriented, lifelong learning center which both reflects and helps to shape the best of Sugar Valley’s social, cultural, and educational heritage as embodied in its citizen’s knowledge, values and skills. Striving for a zero dropout rate, high academic achievements, and 100 percent post secondary continuing education, the Sugar Valley Rural Charter School extends conventional K-12 classroom teaching/learning boundaries to include varied educational endeavors and employs multiple mediums, settings, and locations to model promoting the practice of

lifelong learning.” During the 2007-08 school year, the SVRCS provided educational services to 270 pupils from four sending school districts through the employment of 30 teachers, 29 full-time and part-time support personnel, and 4 administrators. The SVRCS received over \$2.8 million in tuition payments from school districts required to pay for its students attending the Charter School in school year 2007-08.

Adequate Yearly Progress

The SVRCS did not make Adequate Yearly Progress (AYP) for the 2009-10 school year and is in a Warning status level. A school that misses only one measure will not meet AYP. This is the first year that the SVRCS did not meet all AYP measures. The SVRCS met 16 out of 17 AYP measures in 2009-10. Specifically, the SVRCS fell short of the AYP targets/goals for reading performance by the economically disadvantaged student group. If the SVRCS meets all AYP measures next year, it will be considered on track to meet the goal of all students attaining proficiency in Reading and Mathematics by the year 2014. If the SVRCS does not meet AYP next year, it will be designated as needing improvement and will be placed into the "School Improvement I" category.

AYP is a key measure of school performance established by the federal No Child Left Behind Act of 2001 requiring that all students reach proficiency in Reading and Math by 2014. For a school to meet AYP measures, students in the school must meet goals or targets in three areas: (1)

Attendance (for schools that do not have a graduating class) or Graduation (for schools that have a high school graduating class), (2) Academic Performance, which is based on tested students' performance on the Pennsylvania System of School Assessment (PSSA); and (3) Test Participation, which is based on the number of students that participate in the PSSA. Schools are evaluated for test performance and test participation for all students in the tested grades (3-8 and 11) in the school. AYP measures determine whether a school is making sufficient annual progress towards the goal of 100 percent proficiency by 2014.

Audit Conclusion and Results

Our audit found that the SVRCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as noted below, we identified two compliance-related matters reported as findings and one matter unrelated to compliance that is reported as an observation.

Finding No. 1: Possible Certification Deficiencies. Our audit found that five professional employees may not have had the proper certification for their teaching assignments (see page 10).

Finding No. 2: Lack of Documentation for Child Accounting May Have Resulted in Charter School Receiving Incorrect Tuition Payments. Our audit found that the SVRCS did not maintain adequate documentation to support the child accounting invoices billed to school districts with students attending the charter school for the 2007-08 and 2006-07 school years (see page 13).

Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses. We noted that the SVRCS should improve controls over remote access to its computers. In particular, controls should be strengthened over Central Susquehanna Intermediate Unit #16's access to the SVRC's student accounting applications (see page 15).

Status of Prior Audit Findings and Observations. There was no previous audit of this Charter School. Therefore, there are no prior audit findings or observations.

Background Information on Pennsylvania Charter Schools

Pennsylvania Charter School Law

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'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 the 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 Ibid.

³ 24 P.S. § 17-1717-A (a).

⁴ 24 P.S. § 17-1717-A (c).

⁵ 24 P.S. § 17-1717-A (d).

⁶ 24 P.S. § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

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.

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.

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 Department of Education (DE), which determines whether the application for a charter should be granted or denied.¹¹ However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.¹² In addition, DE 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 DE.¹⁴

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.

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 24 P.S. § 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 24 P.S. §§ 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 July 1, 2006 through September 15, 2010.

Regarding state subsidy and reimbursements, our audit covered school years 2007-08 and 2006-07.

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

Objectives

What is the difference between a finding and an observation?

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

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing SVRCS’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)?
- ✓ 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?

²⁰ 24 P.S. § 1-101 *et seq.*

²¹ 24 P.S. § 17-1701-A *et seq.*

- ✓ 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 Public School Code, 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 DE and were its average daily membership and tuition billings accurate?
- ✓ 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 school's

²² 65 Pa.C.S. § 1101 *et seq.*

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?

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.

SVRCS 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 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.

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.

Our audit examined the following:

- Records pertaining to professional employee certification, 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 SVRCS operations.

Findings and Observations

Finding No. 1

Charter School Law (CSL) and Pennsylvania Regulations relevant to this finding:

Section 17-1732-A of the CSL, 24 § 17-1732-A, requires charter schools to comply with Chapter 711 of the Pennsylvania Code, 22 Pa. Code § 711 *et seq.*, specific to special education services and programs at charter and cyber charter schools.

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))

Section 17-1732-A of the CSL also requires charter schools to comply with Section 1109 of the Public School Code, which requires:

“Every principal appointed after August thirty-first, one thousand nine hundred fifty-three, employed in the public schools of this Commonwealth, who devotes one-half or more of his time to supervision and administration, shall be properly certificated by the Department of Public Instruction in accordance with such standards as the State Board of Education may establish.” (24 P.S. § 11-1109(b))

Possible Certification Deficiencies

Our audit of professional employees’ certification and assignments for the period July 1, 2006 through June 30, 2010, was conducted to determine compliance with the certification requirements of the CSL, the Public School Code (PSC), Chapter 711 of the Pennsylvania Code (Chapter 711), the federal No Child Left Behind Act, and the Department of Education’s (DE) Bureau of School Leadership and Teacher Quality’s (BSLTQ) Certification and Staffing Policies and Guidelines (CSPGs).

Our audit found that five professional employees may not have had the proper certification for their teaching assignments as follows:

- A special education teacher who was teaching without a certificate for the 2007-08 school year;
- Two principals who were not certified in their position of assignment in 2006-07 school year;
- One principal who was not certified in the position of assignment in the 2007-08 and 2008-09 school years; and
- One principal who was not certified in the position of assignment in the 2007-08, 2008-09 and 2009-10 school years.

All principals and special education professional staff must hold appropriate State certification and cannot be part of the 25 percent noncertified professional staff allowed at charter and cyber charter schools.

Lack of properly certified teachers could result in the Sugar Valle Rural Charter School’s (SVRCS) 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.

Certification deficiencies are not determined by this Department. Information pertaining to the questionable assignments was submitted to DE's BSLTQ for its review. If DE's BSLTQ confirms these deficiencies, the SVRCS would not be subject to any monetary sanctions as the CSL does not hold charter schools accountable for certification deficiencies in the same manner as traditional schools, which are subject to subsidy forfeitures for certification deficiencies.

Recommendations

The *Sugar Valley Rural Charter School's* chief executive officer should ensure that:

1. Individuals are properly certified for their area of administrative responsibility or subject in which they teach.
2. The individuals cited in this finding obtain proper certification or are re-assigned to positions for which they are properly certified.

The *Sugar Valley Rural Charter School's* board of trustees, in order to ensure compliance for all subsequent years, should establish procedures to ensure that:

3. Professional employees are properly certified for their area of administrative responsibility or subject in which they teach, for the entire school year, in compliance with the CSL, Chapter 711, and DE's CSPGs.
4. Administrative personnel are provided with sufficient training in order to understand and manage charter school certification requirements as defined by the CSL, Chapter 711, and DE's CSPGs.

As the authorizing school district, the *Keystone Central School District* should:

5. Follow-up with SVRCS regarding BSLTQ's certification determination regarding the questionable special education and principal assignments.

6. Review the charter of SVRCS, based upon BSLTQ's determination, and determine whether SVRCS is violating certification and/or special education terms of its approved charter with the District.

The *Department of Education* should:

7. Review the CSL and the PSC and make recommendations to the State Board of Education and the General Assembly to amend existing laws to hold charter schools accountable for certification deficiencies in the same manner as traditional public schools, including the imposition of monetary sanctions.

Management Response

Management chose not to respond to this finding.

Finding No. 2 →

Lack of Documentation for Child Accounting May Have Resulted in Charter School Receiving Incorrect Tuition Payments

Criteria relevant to the finding:

The CSL establishes that funding will be received through twelve monthly tuition payments required of school districts with students attending a charter or cyber charter school. (24 P.S. § 17-1725-A)

The amounts of funding received by charter and cyber charter schools is determined by membership data reported to DE indicating the total number of students enrolled in the charter or cyber charter school and the tuition rate required of the school district that the student comes from.

DE's Basic Education Circular on Charter Schools, 24 P.S. § 17-1701-A, provides guidance and instructions regarding the reporting of membership data and the charter school's billing responsibilities, including proper maintenance of a completed "Charter School Student Enrollment Notification Form" for each student.

The SVRCS did not maintain adequate membership documentation to support the child accounting invoices billed to school districts with students attending the Charter School for the 2007-08 and 2006-07 school years. The SVRCS's membership reports filed with DE generated tuition payments of \$2,792,189 and \$2,355,179 for the 2007-08 and 2006-07 years, respectively.

Membership data is used to calculate the tuition payments required to be paid by school districts with students attending charter schools, so it is important that charter schools follow DE's guidelines and instructions regarding membership reporting and tuition billings. However, our review found that the SVRCS lacked appropriate documentation to verify membership data reported to DE, including a failure to adequately maintain student entry/withdrawal forms and records of student absenteeism as directed under DE's guidelines and instructions. Without this necessary documentation, we could not verify the accuracy of the SVRCS's tuition billings or determine whether or not the SVRCS received the proper tuition funding from school districts required to pay tuition.

SVRCS's personnel indicated that these deficiencies were, in part, due to a lack of training.

Recommendations

The *Sugar Valley Rural Charter School* Board of Trustees should:

1. Require that SVRCS personnel maintain a complete record of child accounting data to substantiate tuition charged to the school districts with students attending the SVRCS in accordance with DE's guidelines and instructions.

The *Department of Education* should:

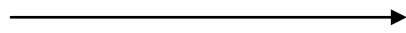
2. Require the SVRCS to maintain sufficient and relevant evidence to ensure proper justification of the receipt of tuition payments from school districts required to pay charter school tuition.
3. Review the correctness of the \$2,792,189 and \$2,355,179 in tuition payments received for the 2007-08 and 2006-07 school years.

Management Response

Management stated the following:

SVRCS will create a system in the form of written documentation for students who withdraw from the school out of our local area with notification and when parent signature is unavailable.

Observation



What is logical access control?

“Logical access” is the ability to access computers and data via remote outside connections.

“Logical access control” refers to internal control procedures used for identification, authorization, and authentication to access the computer systems.

Unmonitored Vendor System Access and Logical Access Control Weaknesses

The SVRCS uses software purchased from Central Susquehanna Intermediate Unit #16 (CSIU) for its critical student accounting applications (membership and attendance).

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the SVRCS’s data could occur and not be detected because the SVRCS was unable to provide supporting evidence that they are adequately monitoring all CSIU activity in their system. However, since the SVRCS has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated.

Reliance on manual compensating controls becomes increasingly problematic if the SVRCS would ever experience personnel and/or procedure changes that could reduce the effectiveness of the manual controls. Unmonitored CSIU system access and logical access control weaknesses could lead to unauthorized changes to the SVRCS’s membership information and result in the SVRCS not receiving the funds to which it was entitled from the state.

During our review, we found the SVRCS had the following weaknesses over the CSIU’s access to the system:

1. The SVRCS’s Acceptable Use Policy (AUP) does not include provisions for authentication (password security and syntax requirements).
2. The SVRCS does not have current information technology (IT) policies and procedures for controlling the activities of the CSIU, nor does it require the CSIU to sign the SVRCS’s AUP.
3. The SVRCS has certain weaknesses in logical access controls. We noted that the SVRCS’s system parameter settings do not require all users, including the CSIU, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and

include alpha, numeric, and special characters; and to maintain a password history (i.e., approximately ten passwords).

4. The SVRCS does not require written authorization prior to the updating/upgrading of key applications or changing user data.

Recommendations

The *Sugar Valley Rural Charter School* should:

1. Include provisions for authentication (password security and syntax requirements).
2. Establish separate IT policies and procedures for controlling the activities of the CSIU and have the CSIU sign this policy, or the SVRCS should require the CSIU to sign the SVRCS's AUP.
3. Implement a security policy and system parameter settings to require all users, including the CSIU, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the SVRCS should maintain a password history (i.e., approximately ten passwords).
4. Require written authorization prior to the updating/upgrading of key applications or changing user data.

Management Response

Management stated the following:

1. Password requirements will be strengthened (complexity and frequency of change) and clearly defined in our next AUP revision (summer of 2011).
2. The School has no policies concerning the IU's use of our computing facilities/equipment since the IU has no access to either. All SVRCS data is housed on CSIU servers at the IU's facility. All SVRCS access to data is conducted through Remote Desktop connections. At no time does the IU have access (physical or virtual) to any SVRCS systems/equipment.
3. The SVRCS computer account/login system is separate from the CSIU account/login system. Currently, the

SVRCS system has no minimum standards for password complexity or frequency of change. This password is the one that allows SVRCS users to access the Internet and their local file storage while here on campus. This lack of minimum standards will be addressed in our AUP revisions next summer. As mentioned above, the CSIU has no access to these systems and therefore, no account to log into them. The CSIU logins that we use to access their systems are much more restrictive. The passwords used to log into their server using Remote Desktop must be changed every 30 days, they must be ten characters long, and they must contain numbers, lower case letters, upper case letters, and special characters. They must also not repeat a password from the last ten.

4. The IU is the owner of all equipment used in our Student Information System. It is housed on their property and they are responsible for all maintenance. They also take care of all software upgrades and maintenance. We receive notifications when they need to perform upgrades or maintenance, but it seems inappropriate to require them to ask our permission before maintaining their equipment. It is also a requirement of their policy that they have a signed order from us before they do anything that involves our specific student data. They will not even discuss a specific student's name when troubleshooting. The student is only discussed using their student ID number.

Auditor Conclusion

The conditions and recommendations stated above represent the information communicated to the auditors during our fieldwork. Any subsequent improvements or changes noted in management's response will be evaluated during our next audit of the SVRCS. The observation remains as presented.

Status of Prior Audit Findings and Observations

This is our first audit of the Sugar Valley Rural Charter School. Therefore, there are no prior findings or observations.

Distribution List

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

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

