

SUSQ-CYBER CHARTER SCHOOL  
NORTHUMBERLAND COUNTY, PENNSYLVANIA

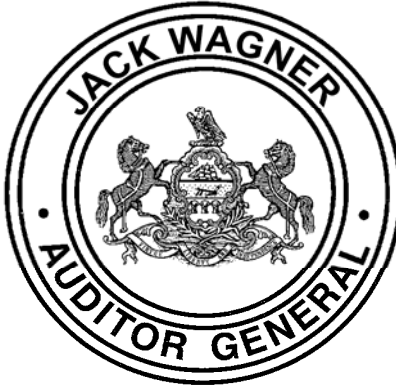
PERFORMANCE AUDIT REPORT

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

WITH FINDING, RECOMMENDATIONS AND  
STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS

THROUGH JANUARY 5, 2007





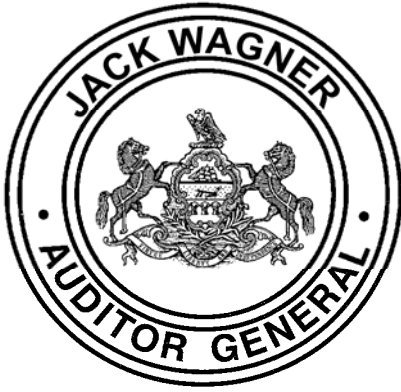
SUSQ-CYBER CHARTER SCHOOL  
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PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2006, 2005 AND 2004,  
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2006  
WITH FINDING, RECOMMENDATIONS AND  
STATUS OF PRIOR YEARS' FINDING AND RECOMMENDATIONS  
THROUGH JANUARY 5, 2007



SUSQ-CYBER CHARTER SCHOOL  
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The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Mr. William Allison, Board President  
SusQ-Cyber Charter School  
90 Lawton Lane  
Milton, Pennsylvania 17847

Dear Governor Rendell and Mr. Allison:

We have conducted a performance audit of the SusQ-Cyber Charter School for the years ended June 30, 2006, 2005 and 2004, and in certain areas extending beyond June 30, 2006. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

To plan and perform our audit of the SusQ-Cyber Charter School, we considered the school's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls, we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurance on the effectiveness of the school's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

The results of our tests indicated that, in all significant respects, the SusQ-Cyber Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit and took appropriate corrective action to address the finding and recommendations contained in our prior audit report, except as noted in the following finding further discussed in the Conclusions section of this report:

- |         |  |
|---------|--|
| Finding | – In Violation of the Public Official and Employee Ethics Act, a Total of Three of Nine Board Members Failed to File Their Statements of Financial Interests for the 2004 Reporting Year |
|---------|--|

Independent Auditor's Report (Continued)

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

Sincerely,

January 5, 2007

/s/  
JACK WAGNER  
Auditor General

cc: Ms. Karen Maurer, Board Vice-President  
Ms. Kathy Hummel, Board Secretary  
Mr. Edward Sowul, Board Treasurer  
Dr. Donald Baumgartner, Board of Trustees  
Ms. Margaret Baumgartner, Board of Trustees  
Ms. Kathy Bohinski, Board of Trustees  
Mr. Guy Campbell, Board of Trustees  
Mr. John Zerance, Board of Trustees  
Mr. James F. Street, Chief Executive Officer



SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

### **History of Charter Schools in Pennsylvania**

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

The Law permits the establishment of charter schools by a variety of persons and entities, including, among others, an individual; a parent or guardian of a student who will attend the school; any nonsectarian corporation not-for-profit; and any nonsectarian college, university or museum.<sup>3</sup> Applications must be submitted to the local school board where the charter school will be located by November 15 of the school year preceding the school year in which the school will be established,<sup>4</sup> and that board must hold at least one public hearing before approving or rejecting the application.<sup>5</sup> If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,<sup>6</sup> which is comprised of the Secretary of Education and six members appointed by the Governor.<sup>7</sup>

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

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<sup>1</sup>24 P.S. § 17-1702-A.

<sup>2</sup>Id.

<sup>3</sup>24 P.S. § 17-1717-A (a).

<sup>4</sup>24 P.S. § 17-1717-A (c).

<sup>5</sup>24 P.S. § 17-1717-A (d).

<sup>6</sup>24 P.S. § 17-1717-A (f).

<sup>7</sup>24 P.S. § 17-1721-A (a).

<sup>8</sup>24 P.S. § 17-1720-A.

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

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

**History of Charter Schools in Pennsylvania (Continued)**

Act 88 of 2002 amended the Law to allow for the establishment of cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means.<sup>10</sup> Unlike charter schools, cyber charter schools must submit their application to the Department of Education (DE), which determines whether the application for charter should be granted or denied. However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board. In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.<sup>11</sup> There are currently 125 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.<sup>12</sup> According to DE, nearly 50,000 children are enrolled in these schools.<sup>13</sup>

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<sup>10</sup> 24 P.S. § 17-1703-A.

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

<sup>12</sup> Information obtained from the Department of Education as of October 12, 2007.

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

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background**

The SusQ-Cyber Charter School, located in Northumberland County, opened in September of 1998. The SusQ-Cyber Charter School was originally chartered for a period of five years by the Berwick Area, Bloomsburg Area and Milton Area school districts. On August 18, 2003, the Department of Education (DE) approved the renewal of the SusQ-Cyber Charter School's charter for a period of five years.

According to the charter school's mission statement:

The SusQ-Cyber Charter School will use the internet or other emerging technologies to deliver an educational program to primarily at-risk high school students who are trying to obtain their high school diploma. The Cyber School will assist these at-risk students as well as the non-at-risk students who want to pursue an alternative path to a high school diploma through cyber education. The Cyber School will plan a Personalized Education Plan for each student, which credits them for past courses earned and outlines a plan for the completion of their graduation requirements. The Cyber School will closely monitor and motivate these students for attendance and academic progress as they work toward the achievement of their educational life goals.

During the year ended June 30, 2006, the SusQ-Cyber Charter School provided educational services to 194 students from 34 sending school districts through the employment of 1 administrator, 8 teachers, and 3 full-time and part-time support personnel.

Expenditures for the school years<sup>14</sup> 2005-06, 2004-05 and 2003-04 were \$886,077, \$796,929 and \$671,193, respectively. Revenues of \$1,013,183, \$815,902 and \$729,541, respectively, supporting these expenditures were derived from local, state, federal, and other sources (see Summary of Charter School Revenue, page 7). State revenue was received in the form of reimbursements for Social Security and Medicare Taxes and retirement obligations, along with a grant (see Appendix III - Schedule of State Revenue, page 24).

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

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
BACKGROUND

**Background (Continued)**

The charter school derives the majority of its operating revenue from the school districts whose students attend the charter school (see Appendix I - Schedule of Local Revenue, pages 21 and 22). These sending school districts are required by Section 1725-A of the Charter School Law<sup>15</sup> and instructions from DE to provide the charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,<sup>16</sup> based upon the school districts’ general fund budgeted expenditures and average daily membership (ADM) for the immediately preceding school year. (ADM refers to the number of days each student is enrolled at the charter school or school district over the course of the school year. This average is used to calculate various subsidies and reimbursements for school districts and charter schools.) This funding calculation is to be paid to the charter school by the sending school districts, based on the actual ADM of their students who attend the charter school.

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<sup>15</sup> 24 P.S. § 17-1725-A.

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

SUSQ-CYBER CHARTER SCHOOL  
BACKGROUND (Continued)

SUMMARY OF CHARTER SCHOOL REVENUE  
AND OTHER FINANCIAL SOURCES

[UNAUDITED]

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>CHARTER SCHOOL REVENUES</u></b>			
Local Revenue*	\$ 984,093	\$776,726	\$720,038
Federal Revenue	2,634	25,012	-
State Revenue	<u>26,456</u>	<u>14,164</u>	<u>9,503</u>
<b><u>TOTAL REVENUE</u></b>	<b><u>\$1,013,183</u></b>	<b><u>\$815,902</u></b>	<b><u>\$729,541</u></b>

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

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVES, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE**

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

- to determine overall compliance with the Public School Code of 1949<sup>17</sup> (Code) and the Charter School Law (Law);<sup>18</sup>
- to determine whether at least 75 percent of the charter school's professional staff members, including teachers and administrators, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;<sup>19</sup>
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,<sup>20</sup> to which charter schools are made subject by Section 1724-A(b) of the Law,<sup>21</sup> requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- to determine whether the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;<sup>22</sup>
- to verify membership numbers reported to the Department of Education (DE) and determine whether average daily membership and tuition billings were accurate based on the tuition formula set by the Law;

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<sup>17</sup> 24 P.S. § 1-101 *et seq.*

<sup>18</sup> 24 P.S. § 17-1701-A *et seq.*

<sup>19</sup> 24 P.S. § 17-1724-A(a).

<sup>20</sup> 24 P.S. §§ 11-1109 and 12-1209.

<sup>21</sup> 24 P.S. § 17-1724-A(b).

<sup>22</sup> 24 P.S. § 17-1715-A(9).

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVES, SCOPE AND METHODOLOGY

**OBJECTIVES AND SCOPE (Continued)**

- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code<sup>23</sup> and Chapter 11 of the State Board of Education Regulations<sup>24</sup> and, if not, whether the charter school removed days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to Section 11.24 of the State Board of Regulations;<sup>25</sup>
- to determine whether each of the charter school's trustees and administrators and each of the school board members of the host school district complied with the Code and the Public Official and Employee Ethics Act<sup>26</sup> (Ethics Act) by filing their Statement of Financial Interests Forms and to determine whether any violations of the Ethics Act occurred or any potential conflicts of interests exist;
- to determine whether the charter school is in compliance with Section 1724-A(c) of the Law<sup>27</sup> requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the charter school application unless the board of trustees has a retirement plan that covers the employees or the employees are enrolled in another retirement program; and
- to conclude on the charter school's progress in achieving its goals and the effectiveness of the monitoring and oversight procedures of the chartering school district and DE.
- to determine whether the charter school is in compliance with Section 1728-A of the Law<sup>28</sup> requiring each charter school to assess whether it is meeting the goals of its charter and to submit a report of its assessment to DE no later than August 1 of each year.

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

Additionally, our second objective was to determine if the SusQ-Cyber Charter School took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2000 and 1999, and in certain areas extending beyond June 30, 2000.

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<sup>23</sup> 24 P.S. § 13-1327 (Charter schools are subject to the compulsory school attendance requirements of the Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).)

<sup>24</sup> 22 Pa. Code, Chapter 11.

<sup>25</sup> 22 Pa. Code § 11.24.

<sup>26</sup> 65 Pa.C.S. § 1101 *et seq.*

<sup>27</sup> 24 P.S. § 17-1724-A(c).

<sup>28</sup> 24 P.S. § 17-1728-A.

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT  
OBJECTIVES, SCOPE AND METHODOLOGY

**METHODOLOGY**

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit as required by the Public School Code of 1949, as amended (Public School Code).

The proper administration of a charter school requires the charter school's board of trustees to establish and maintain internal controls to provide reasonable assurance that specific charter school objectives will be achieved. Charter school trustees are responsible for the adoption and use of policies and procedures that promote the economical and efficient conduct of assigned duties and responsibilities. In completing our audit, we obtained an understanding of the charter school's internal controls as they relate to the school's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.



SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSIONS – OBJECTIVE NO. 1**

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

- . the charter school demonstrated that all professional staff members, including administrators and teachers, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;<sup>29</sup>
- . the charter school complied with Sections 1109 and 1209 of the Code,<sup>30</sup> to which charter schools are made subject by Section 1724-A(b) of the Law,<sup>31</sup> requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- . the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;<sup>32</sup>
- . the charter school validated membership numbers reported to the Department of Education and that average daily membership and tuition billings were accurate based on the tuition formula set by the Law;
- . the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code<sup>33</sup> and Chapter 11 of the State Board of Education Regulations;<sup>34</sup> and

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<sup>29</sup> 24 P.S. § 17-1724-A(a).

<sup>30</sup> 24 P.S. §§ 11-1109 and 12-1209.

<sup>31</sup> 24 P.S. § 17-1724-A(b).

<sup>32</sup> 24 P.S. § 17-1715-A(9).

<sup>33</sup> 24 P.S. § 13-1327; Please note that charter schools are subject to the compulsory school attendance requirements of the Public School Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).

<sup>34</sup> 22 Pa. Code, Chapter 11.

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSIONS – OBJECTIVE NO. 1 (Continued)**

- the charter school is in compliance with Section 1724-A(c) of the Law<sup>35</sup> requiring that all employees be enrolled in the Public School Employees' Retirement System unless at the time of filing the charter school application the sponsoring school district or the board of trustees of the charter school has a retirement plan that covers the employees or the employees are currently enrolled in another retirement program.
  
- the charter school submitted its annual reports assessing whether or not it met the goals of its charter to DE as required by Section 1728-A of the Law.<sup>36</sup>

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

Moreover, we concluded that the SusQ-Cyber Charter School took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2000 and 1999, and in certain areas extending beyond June 30, 2000.

**Finding – In Violation of the Public Official and Employee Ethics Act, a Total of Three of Nine Board Members Failed to File Their Statements of Financial Interests for the 2004 Reporting Year**

Our review of the school's records for the calendar years ended December 31, 2004 and 2005, found that three of nine board of trustee members failed to file their Statements of Financial Interests forms with the State Ethics Commission for the 2004 reporting year.

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

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<sup>35</sup> 24 P.S. § 17-1724-A(c).

<sup>36</sup> 24 P.S. § 17-1728-A.

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), requires all candidates for public office, public officials and certain public employees to annually complete a Statement of Financial Interests for the preceding calendar year, no later than May 1<sup>st</sup> of each year they hold their positions and of the year after leaving such positions.<sup>37</sup>

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

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

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .<sup>38</sup>

Section 1109(b) of the Ethics Act 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.<sup>39</sup>

Section 1109(f) of the Ethics Act 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.<sup>40</sup>

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

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<sup>37</sup> 65 Pa.C.S. § 1101 *et seq.*

<sup>38</sup> 65 Pa.C.S. § 1104(d).

<sup>39</sup> 65 Pa.C.S. § 1109(b).

<sup>40</sup> 65 Pa.C.S. § 1109(f).

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

Recommendations

The board should:

- seek the advice of the State Ethics Commission in regard to the board's responsibility when a board member fails to file a Statement of Financial Interests form; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests forms do so in compliance with the Ethics Act.

Response of Management

Management agreed with the finding and offered the following:

The SusQ-Cyber Charter School agrees with this finding and has already taken steps to correct this error. The CEO [chief executive officer] conducted an information session for board members during a board meeting to review the Ethics Law. The CEO attended a Conference at which a representative of the Ethics Commission clarified the Ethics Law and the filing of Financial Interest Statement Forms.

This lapse occurred during the 2004-05 school year for 2004. Due to a lack of a quorum, the March 22 board meeting was canceled and that agenda was carried over to a special meeting April 5. The Board canceled the regular April board meeting. The May 24 board meeting was also canceled due to the lack of a quorum. A special board meeting was held June 14 to take up the May 24 agenda. The agenda called for the cancellation of the June 28 meeting. Unfortunately, the board did not pass the budget on June 14 and the regular June 28 Board Meeting was needed to pass the budget. Board members were reminded on both of these agendas to complete and submit their Financial Interest Statements. This is noted in these meeting minutes. Unfortunately, some members were absent from these meetings.

SUSQ-CYBER CHARTER SCHOOL  
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**Finding (Continued)**

The three members who did not file the Financial Interest Form for 2004 did file the previous year. Some confusion may have occurred during March through June that was created by the cancellation of board meetings and the absence of board members. This may have contributed to their not filing the Form. They may have believed they had already done so when reminded to file the Form. There was no system in place to check off the forms when they were received. For confidentiality they were filed in a folder and members were asked to place the forms in an envelope.

When it was determined that several members had not filed their Financial Interest Form for 2004, the CEO directed the Assistant Board Secretary to establish a checklist to record the filing of this form and to remind Board Members to file the Statement of Financial Interest Form by May 1 each year.

The administration will continue to monitor the receipt of this form and remind board members of their legal responsibility.

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**CONCLUSIONS – OBJECTIVE NO. 2**

The second objective of our audit was to determine if the SusQ-Cyber Charter School took appropriate corrective action to address the finding and recommendations contained in our prior audit report for the years ended June 30, 2000 and 1999, and in certain areas extending beyond June 30, 2000. The status of this finding, along with a description of the school board's disposition of each recommendation, was determined by one or more of the following procedures:

- reviewing the board's written response, dated December 18, 2001, to the Labor, Education and Community Services, Comptroller's Office, replying to the Department of the Auditor General's audit report for the years ended June 30, 2000 and 1999, and in certain areas extending beyond June 30, 2000;
- performing tests as a part of, or in conjunction with, the current audit; and
- questioning appropriate district personnel regarding the prior years' finding and recommendations.

**Finding – Instructional Time and Pupil Membership Data Could Not Be Verified**

Our prior audit found that the instructional time and pupil membership reports that the charter school submitted to the Department of Education (DE) for the 1999-2000 and 1998-99 school years could not be verified.

**Instructional Time**

Charter school personnel reported membership for 14 sending school districts in 1999-2000 and 12 sending school districts in 1998-99. The school reported 990 instructional hours and 180 days of instruction for both years.

Charter school personnel had neither a manual nor an electronic means of supporting the reported number of instructional hours the charter school provided in a regular school day. We were informed that the students were instructed to follow their district of residence's instructional day and calendar, but the charter school could not provide verifiable evidence that students did as instructed. Additionally we were informed that students could perform work 24 hours a day, seven days a week; however, there are no provisions in the Public School Code that allow charter schools to do this. The Public School Code does state that instructional time cannot be counted on Sundays.

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

The Public School Code does not specifically address the issue of instructional hours and days at cyber schools. The cyber charter school's instructional hours and days were provided in the home with DE approval; instructions on how it was to account for its instructional hours and days should have been provided to the cyber charter school by DE.

Pupil Membership

The charter school reported total average daily membership (ADM) for all sending school districts of 94.122 for the 1999-2000 school year and 44.289 for the 1998-99 school year. (ADM refers to the number of days each student is enrolled at the charter school or school district over the course of the school year. This average is used to calculate various subsidies and reimbursements for school districts and charter schools.) DE included the ADM in the sending school districts' subsidy and reimbursement calculations. The ADM was also used in part to determine the sending school districts' payments to the charter school. We could not verify if the students followed their home districts' calendar as instructed, nor which days could be defined as instructional days; consequently, the reported ADM could not be verified.

DE was advised that we were not able to verify the instructional time and membership data reported; this could have affected the subsidies and reimbursements of the sending school districts.

We recommended that school district personnel:

- . develop written procedures pertaining to calculating and documenting instructional time to ensure that the instructional time summary submitted to DE can be supported and minimum hours are met. Methods of documenting instructional time could include but are not limited to:
  - a) maintaining records of the amount of time students are logged on-line to the charter-school; and
  - b) establishing procedures for documenting the time students are working independently at home.
- . review all school term data to ensure that student membership reports are completed in conformance with all DE requirements, and reported data is supported by documentation;
- . have a child's parent, guardian or legal custodian periodically file an affidavit with the charter school attesting to the hours and days of instruction the child received. This affidavit should then be kept on file at the charter school; and

SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

- . maintain a school calendar for the charter school, rather than have students follow the various sending school districts' calendars.

We also recommended that DE adjust membership reports for the sending school districts, as well as their subsidies and reimbursements, as necessary.

Furthermore, we recommended that DE adopt regulations and guidelines similar to those in Section 1327 of the Public School Code for cyber charter school education programs provided in a student's home, to ensure that the minimum required instructional time is provided and student membership is documented.

In its written response, the board expressed concerns that a concentrated effort on attendance could overshadow the efforts to emphasize achievement in completion of an educational plan, and noted that a number of their students came to the cyber school from traditional high schools in which they had been absent for long periods of time. However, the board agreed with our finding and offered a detailed response for each of our recommendations, including the requirement of attendance logs from students and a concentrated effort to keep accurate detailed records of student membership and attendance.

As of our fieldwork completion date for our current audit, January 5, 2007, DE had not made any adjustments. We again recommend that DE determine if adjustments to the membership reports of the 14 sending school districts, and their subsidies and reimbursements, are necessary.

Our current audit found that the school followed our recommendations and implemented them as follows:

- . the charter school has developed written procedures pertaining to calculating and documenting instructional time to ensure that the instructional time summary submitted to DE can be supported and minimum hours are met. They documented instructional time by maintaining records of the amount of time students are logged on-line to the charter-school and have established procedures for documenting the time students are working independently at home;
- . the charter school reviews all school term data to ensure that student membership reports are completed in conformance with all DE requirements, and reported data is supported by documentation;
- . the charter school requires a child's parent, guardian or legal custodian to periodically file an affidavit with the charter school attesting to the hours and days of instruction the child received. This affidavit is kept on file at the charter school; and

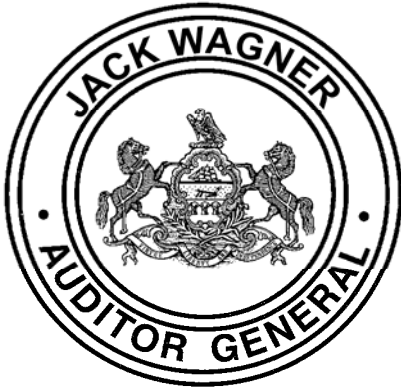


SUSQ-CYBER CHARTER SCHOOL  
PERFORMANCE AUDIT REPORT

**Finding (Continued)**

- . the charter school maintains a school calendar for the charter school.

Based on the results of our current audit, we concluded that the charter school did take appropriate corrective action to address our prior audit finding.



SUSQ-CYBER CHARTER SCHOOL  
APPENDIX I

[UNAUDITED]

**Schedule of Local Revenue**

Payments received from local school districts for the years ended June 30, 2006, 2005 and 2004 were as follows:

<u>PAYMENTS FROM SENDING SCHOOL DISTRICTS</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Allentown City	\$ -	\$ -	\$ 3,177
Bellwood-Antis	-	-	1,107
Benton Area	8,284	20,681	14,397
Berwick Area	189,793	176,257	112,863
Bloomsburg Area	47,237	19,780	40,316
Central Columbia	10,500	21,658	24,882
Central Dauphin	10,557	-	-
Crestwood	3,937	-	-
Danville Area	41,004	39,203	9,315
Easton Area	-	-	1,425
East Penn	-	-	11,849
Elizabethtown Area	2,000	-	-
Greater Nanticoke Area	7,678	5,489	17,941
Hazleton Area	2,663	4,498	5,687
Keystone Central	10,699	-	-
Lewisburg Area	47,889	50,350	33,875
Line Mountain	34,370	7,470	10,362
Loyalsock Township	8,227	-	-
Mid Valley	6,820	-	-
Midd-West	119,123	94,232	62,141
Mifflinburg Area	54,390	40,702	40,466
Millville Area	8,661	-	-
Milton Area	58,378	61,985	74,854
Mount Carmel Area	11,376	7,303	22,983
Newport	-	-	2,299
Northern York County	3,309	-	-
Northwest Area	-	7,176	-
Palmyra Area	5,900	-	-
Pleasant Valley	11,662	-	-
Pocono Mountain	12,575	-	-
Reading	-	-	1,609
Selinsgrove Area	21,061	19,225	42,047
Shamokin Area	9,358	2,808	-

SUSQ-CYBER CHARTER SCHOOL  
APPENDIX I

[UNAUDITED]

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>PAYMENTS FROM SENDING SCHOOL</u></b>			
<b><u>DISTRICTS (Continued)</u></b>			
Shikellamy	\$166,516	\$157,871	\$123,625
Southern Columbia Area	1,928	5,715	-
State College Area	1,125	-	-
Susquenita	15,545	-	-
Upper Dauphin Area	-	-	6,596
Warrior Run	36,759	23,380	48,775
West Branch Area	4,678	-	-
Williamsport Area	6,024	-	2,383
Wyalusing Area	346	-	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL PAYMENTS FROM SENDING</u></b>	\$980,372	\$ 765,783	\$714,974
<b><u>SCHOOL DISTRICTS</u></b>			
Earnings on Investments	244	217	490
Federal Revenue Received from Other			
Pennsylvania Public Schools	3,319	8,674	4,574
All Other Local Revenue Not Specified	158	2,052	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LOCAL REVENUE</u></b>	<b><u>\$984,093</u></b>	<b><u>\$776,726</u></b>	<b><u>\$720,038</u></b>

SUSQ-CYBER CHARTER SCHOOL  
APPENDIX II

[UNAUDITED]

**Schedule of Federal Revenue**

The charter school reported federal revenue of \$2,634, \$25,012, and \$0, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>FEDERAL REVENUE</u></b>			
Restricted Federal Grants-in Aid	<u>\$2,634</u>	<u>\$25,012</u>	<u>-</u>
<b><u>TOTAL FEDERAL REVENUE</u></b>	<u>\$2,634</u>	<u>\$25,012</u>	<u>-</u>

SUSQ-CYBER CHARTER SCHOOL  
APPENDIX III

[UNAUDITED]

**Schedule of State Revenue**

The charter school reported state revenue of \$26,456, \$14,164 and \$9,503, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b><u>STATE REVENUE</u></b>			
Health Services	\$ 1,834	\$ 1,878	\$1,541
Social Security and Medicare Taxes	9,751	7,622	5,779
Retirement	5,371	4,664	2,183
School Improvement Grant	<u>9,500</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL STATE REVENUE</u></b>	<u>\$26,456</u>	<u>\$14,164</u>	<u>\$9,503</u>

SUSQ-CYBER CHARTER SCHOOL  
APPENDIX IV

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

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Social Security and Medicare Taxes

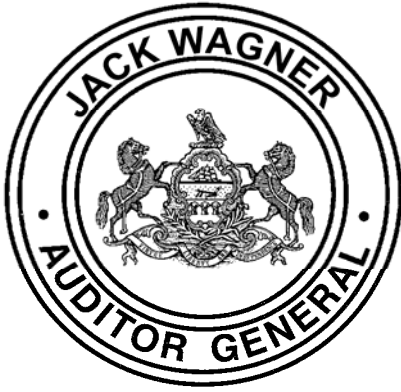
Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.





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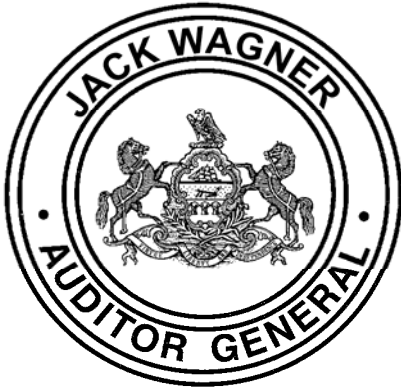
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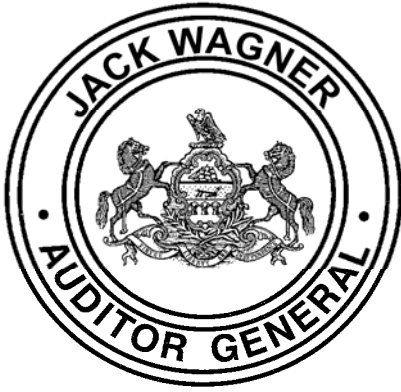
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Bloomsburg Area School District  
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Bloomsburg, PA 17815

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