

TIDIOUTE COMMUNITY CHARTER SCHOOL  
WARREN COUNTY, PENNSYLVANIA  
PERFORMANCE AUDIT REPORT

JANUARY 2012



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

Mr. Albert Haney, Board President  
Tidioute Community Charter School  
241 Main Street  
Tidioute, Pennsylvania 16351

Dear Governor Corbett and Mr. Haney:

We conducted a performance audit of the Tidioute Community Charter School (TCCS) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 7, 2007 through March 31, 2011, except as otherwise indicated in the report. Additionally, compliance specific to state subsidy and reimbursements was determined for the school years ended June 30, 2010, 2009 and 2008. 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 TCCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in one finding 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 finding, observation and recommendations have been discussed with TCCS's management and their responses are included in the audit report. We believe the implementation of our recommendations will improve TCCS's operations and facilitate compliance with legal and administrative requirements. We appreciate the TCCS's cooperation during the conduct of the audit and its willingness to implement our recommendations.

Sincerely,

/s/

JACK WAGNER  
Auditor General

January 26, 2012

cc: **TIDIOUTE COMMUNITY CHARTER SCHOOL** Board of Trustees



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## **Executive Summary**

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### **Audit Work**

The Pennsylvania Department of the Auditor General conducted a performance audit of the Tidioute Community Charter School (TCCS). 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 TCCS in response to our prior audit recommendations.

Our audit scope covered the period December 7, 2007 through March 31, 2011, 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 2009-10, 2008-09 and 2007-08.

### **TCCS School Background**

The TCCS, located in Warren County, Pennsylvania, opened in August 2005. It was originally chartered on February 14, 2005, for a period of five years by the Warren County School District. TCCS's mission states: "to develop of the mind, soul, and physical well being of our students through the creation of a safe environment, community involvement, innovative teaching practices, individualized attention, and a mentor program that will result in a world class education in a small town environment." During the 2009-10 school year, the TCCS provided educational services to 278 pupils from 3 sending school districts through the employment of 38 teachers, 5 full-time and part-time

support personnel, and 3 administrators. The TCCS received more than \$145,000 in state funding in school year 2009-10.

### **Adequate Yearly Progress**

The TCCS made Adequate Yearly Progress (AYP) for the 2010-11 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 by 2014.

### **Audit Conclusion and Results**

Our audit found that the TCCS complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures; however, as

noted below, we identified one compliance-related matter reported as a finding and one matter unrelated to compliance that is reported as an observation.

**Finding: Required Surety Bonds Are Lacking.** Our audit of the TCCS current insurance and bonds found the Board Secretary; Board Treasurer, and Cafeteria Director were not properly bonded should financial malfeasance occur (see page 10).

**Observation: Unmonitored Vendor System Access and Logical Access Control Weaknesses.** We noted that TCCS personnel should improve controls over remote access to its computers. In particular, controls should be strengthened over outside

vendor access to the student accounting applications (see page 12).

**Status of Prior Audit Findings and Observations.** With regard to the status of our prior audit recommendations to the TCCS from an audit we conducted of the 2006-07 and 2005-06 school years, we found the TCCS had taken appropriate corrective action in implementing our recommendations pertaining to: (1) certification deficiencies, (2) noncertified teachers lacking physician's certificates (see page 16), (3) failing to file Statements of Financial Interests (see page 17), (4) failing to retain records and properly report membership data, and (5) failing to update its Memorandum of Understanding timely (see page 18).



## Background Information on Pennsylvania Charter Schools

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

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

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

Pennsylvania'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.<sup>1</sup> In addition, the preamble provides that charter schools are intended to, among other things, improve student learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.<sup>2</sup>

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

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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).

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

Act 88 of 2002 amended the 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.<sup>10</sup> 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.<sup>11</sup> However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.<sup>12</sup> In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.<sup>13</sup> Cyber charter schools that had their charter initially approved by a local school district prior to August 15, 2002 must seek renewal of their charter from DE.<sup>14</sup>

### **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

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<sup>8</sup> 24 P.S. § 17-1720-A.

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

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

<sup>11</sup> 24 P.S. § 17-1745-A(d).

<sup>12</sup> 24 P.S. § 17-1745-A(f)(4).

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

<sup>14</sup> 24 P.S. § 17-17-1750-A(e).

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

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

Under the Public School Code of 1949, as amended, the Commonwealth also pays a reimbursement to each sending school district with students attending a charter school that amounts to a mandatory percentage rate of total charter school costs.<sup>18</sup> Commonwealth reimbursements for charter school costs are funded through an education appropriation in the state's annual budget. However, the enacted state budget for the 2011-12 fiscal year eliminated funding of the charter school reimbursement previously paid to sending school districts.<sup>19</sup>

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

<sup>16</sup> See 24 P.S. §§ 17-1725-A(a)(3); 25-2509.5(k).

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

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

<sup>19</sup> Please note that the general funding provision referenced above (24 P.S. § 25-2591.1) has not been repealed from the Public School Code and states the following: "For the fiscal year 2003-2004 and each fiscal year thereafter, if insufficient funds are appropriated to make Commonwealth payments pursuant to this section, such payments shall be made on a pro rata basis." Therefore, it appears that state funding could be restored in future years.

## Audit Scope, Objectives, and Methodology

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### 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 December 7, 2007 through March 31, 2011.

Regarding state subsidy and reimbursements, our audit covered school years 2009-10, 2008-09 and 2007-08.

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 the TCCS's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

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

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

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

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?<sup>22</sup>
- ✓ Did the charter school comply with the open enrollment and lottery provisions of the Charter School 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 as of the end of the 2005-06 school year?
- ✓ 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?

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<sup>22</sup> 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 school's reported membership totals pursuant to the regulations?<sup>23</sup>
- ✓ Did the charter school take appropriate steps to ensure school safety?
- ✓ Did the charter school require that all of its employees enroll in 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.

TCCS 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

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<sup>23</sup> 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 TCCS operations.

Lastly, to determine the status of our audit recommendations made in a prior audit report released on August 14, 2008, we reviewed the TCCS's response and then performed additional audit procedures targeting the previously reported matters.

## Findings and Observations

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### Finding

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### Required Surety Bonds are Lacking

*Criteria relevant to the finding:*

The Public School Code provides the following:

(D) Secretary – 24 P.S. § 4-431  
Bond states: “Before he enters upon the duties of his office the secretary of the board of school directors shall furnish to the school district, for the faithful performance of his duties, a bond, in such amount and with such surety or sureties as may be required of him, and approved by the board of school directors.”

(E) Treasurer – 24 P.S. § 4-436  
Bond states: “Every person elected treasurer of any school district . . . shall, before entering upon the duties of his office, furnish to the school district a proper bond, in such amount and with such corporate surety as the board of school directors therein may approve, conditioned for the faithful performance of his duties as school treasurer . . . The school treasurer shall not enter upon the duties of his office until his bond, with the proper corporate surety or securities, has been furnished to, and approved by, the board of school directors.”

Section 24 P.S. § 17-1732- A  
Provisions applicable to charter schools states:

“(a) Charter schools shall be subject to the following:  
Sections . . . 431,436 . . .”

Our audit of the Tidioute Community Charter School (TCCS) current insurance and bond coverage found that the Board Secretary, Board Treasurer, and Cafeteria Director were not properly bonded to protect the charter school should financial malfeasance occur. In addition, review of the Board of Trustees’ monthly meeting minutes did not identify the type or amount of surety bond to be obtained as prescribed by the Public School Code.

TCCS bylaws similarly lack any requirements for the Secretary and Treasurer to be bonded, despite the fact that the Treasurer (and his/her designee) have direct financial responsibilities for the charter school’s funds.

Prudent business practice dictates that any and all employees whose duties include fiscal activities, for example: budgets, deposits, expenditures, general ledger entries, reconcilements, should be bonded as a means to protect taxpayer funds, in the case of financial fraud, embezzlement or loss.

Review of the job descriptions for the positions of Chief Financial Officer, Administrative Assistant (Purchasing Agent) and Business Manager found none of the positions were required to be bonded.

The TCCS’s Financial Officer stated he was not aware the positions were required to be bonded. He further stated his position, the school’s business manager and cafeteria director were also not bonded. Additionally, he stated the school does not carry a “Public Employee Blanket Bond” for any of the school’s employees.



We caution that if the charter school does purchase a “Public Employee Blanket Bond” which is purported to cover all employees, the definition of “Employee” used in the bond to determine coverage may limit that coverage to solely those employees who are not required by law to furnish a bond to qualify for office. Consequently, in the event of misuse or embezzlement by the Board Secretary, Board Treasurer, and Cafeteria Director the insurance carrier could deny coverage since those employees are required by law to furnish a separate bond.

## **Recommendations**

The *Tidioute Community Charter School* should:

1. Consult with its solicitor regarding the type and amount of surety bonds required for the Board Secretary, Treasurer, Cafeteria Director and all other charter school employees to adequately protect the institution.
2. Obtain the required surety bonds and annually confirm the premium renewal to ensure that the institution is protected.
3. Ensure that the word “Employee” is amended to specifically include the Board Secretary, Board Treasurer, and Cafeteria Director under coverage, if the TCCS purchases a Public Employee Blanket Bond policy.
4. Request guidance from the Department of Education in this area, if necessary.

## **Management Response**

Management stated the following:

TCCS does practice robust fiscal precautions relative to financial transactions as demonstrated by the requirement of two authorized signatures for account withdrawals, check issuance and investment transactions. TCCS also contracts independent financial auditors to objectively conduct review of its financial accounting accuracy and practices. However, TCCS accepts the audits’ finding concerning “bonding” and will implement the audits recommendation. Corrective Action has been initiated seeking the appropriate coverage from its insurance carrier. Purchase will be subject to review by TCCS’s legal counsel to ensure appropriateness and compliance.

**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**

Our audit found that the Tidioute Community Charter School (TCCS) uses software purchased from an outside vendor for its critical student accounting applications (membership and attendance). The software vendor has remote access into the TCCS network servers.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the TCCS data could occur and not be detected because the TCCS was not able to provide supporting evidence that it is adequately monitoring vendor activity in the system. However, since the TCCS has adequate manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. Membership and attendance reconciliations are performed between manual reports and reports generated from the student accounting system.

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

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

1. Does not have a formal contract with the vendor to provide student accounting applications and related information technology (IT) services. Only a copy of a purchase order was on file.
2. Does not have a non-disclosure agreement for the school’s proprietary information with the vendor.
3. Failed to have their legal counsel review the purchased service arrangement.

4. Does not have a written detailed IT security /acceptable use policy in place for its users, only a brief memo.
5. Does not have a security/acceptable use memo that covers privacy, accountability, authentication, violations/incidents.
6. Does not have current IT policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the charter school's Computer Security Policy (Acceptable Use Policy).
7. Was unable to provide evidence that they require written authorization for adding, deleting of changing a userID.
8. Does not maintain proper documentation to evidence that the terminated/resigned employees were removed from the system timely.
9. Does not require all users, including the vendor, to change passwords every 30 days for system parameter settings.
10. Does not remove the vendor's access to the system/data after the vendor has completed their work on the system.
11. The TCCS does not have formally documented written procedures in place to perform reconciliation procedures that would allow the school to detect significant changes in membership/attendance data, including reconciliations between system-generated reports and manual records and/or rollforwards balances from the beginning of the period to the end of the period.

## **Recommendations**

The *Tidioute Community Charter School* should:

1. Develop an agreement with the vendor to provide student accounting applications and related IT services. The agreement should cover legal, financial, organizational, documentary, performance, security, intellectual property, and termination responsibilities and liabilities (including penalty clauses).

2. Complete and have signed, a non-disclosure agreement with the vendor regarding the TCCS's proprietary information.
3. Ensure the TCCS's solicitor reviews the written agreement.
4. Prepare a detailed IT security/acceptable use policy for its users.
5. Ensure the policy covers (monitoring of electronic mail, access files) privacy, accountability (responsibilities of users, auditing, incident handling), authenticable (password security and syntax requirements) and violations/incidents (what is to be reported and to whom).
6. Establish separate IT policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the TCCS should require the vendor to sign the TCCS's Computer Security Policy (Acceptable Use Policy).
7. Develop policies and procedures to require written authorization when adding, deleting or changing a userID.
8. Maintain documentation to evidence the terminated/resigned employees are properly removed from the system in a timely manner.
9. Implement a security policy and system parameter setting to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days).
10. Only allow access to the system when the vendor needs access to make pre-approved changes/updates or required assistance. Access should be removed when the vendor has completed its work. This procedure would also ensure the monitoring of the vendor changes.
11. Formally document written procedures for TCCS users to perform reconciliation procedures that would allow the TCCS to detect significant changes in

membership/attendance data, including reconciliations between system-generated reports and manual records and/or rollforwards balances from the beginning of the period to the end of the period.

**Management Response**

Management stated the following:

TCCS views these observations and recommendations as an opportunity for improvement within its membership/attendance and information technology functions. The recommendations have been assigned for investigation and action.

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

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Our prior audit of the Tidioute Community Charter School (TCCS) for the school years 2006-07 and 2005-06, resulted in four reported findings and one observation as shown in the following table. As part of our current audit, we determined the status of corrective action taken by the TCCS to implement our prior recommendations. We performed audit procedures, and questioned TCCS personnel regarding the prior findings and observation. As shown below, we found that the TCCS did implement recommendations related to certification, physician's certificates, filing Statement of Financial Interests, membership and Memorandum of Understanding.

### **School Years 2006-07 and 2005-06 Auditor General Performance Audit Report**

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**Finding No. 1: Certification Deficiencies**

Finding Summary: Our prior audit found that one individual who was employed as a special education teacher did not have a certificate on file. In addition, three individuals were assigned to areas outside their area of certification. Also, a position description was not on file for one of the three individuals.

Recommendations: Our audit finding recommended that the TCCS:

1. Ensure all employees are properly certified and assigned.
2. Ensure each professional staff member's position description is prepared and retained on file at the charter school.

Current Status: During our current audit procedures, we found that the TCCS did implement the recommendations.

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**Finding No. 2: Thirteen Different Noncertified Teachers Lacked Physician's Certificates At Some Time During the Audit Period**

Finding Summary: During our prior audit, we verified that the TCCS complied with the requirements that its noncertified professional employees present evidence that they are at least 18 years of age and a United States citizen. However, we found that out of a total of 13 non-certified teachers employed by the school during the 2007-08, 2006-07 and 2005-06 school years, 13 different non-certified teachers did not possess a physician's certificate as required by Sections 1109 and 1209 of the Public School Code. Of the 13 different noncertified teachers cited, two are cited for all three school years of our audit period, two others are cited for the 2007-08 and 2006-07 school years, and two others are cited for the 2006-07 and 2005-06 school

years. In addition, one is cited for the 2007-08 school year, one other is cited for the 2006-07 school year, and five others are cited for the 2005-06 school year.

Recommendations: Our audit finding recommended that the TCCS:

1. Implement the charter school's system of internal controls that all documents required at the time of hire for noncertified teachers by the Public School Code pursuant to Section 1724-A(b) of the Law are maintained in the charter school's files.
2. Ensure that all noncertified teachers without a required physician's certificate obtain one.
3. Ensure that all required physicians' certificates are retained for audit purposes.

Current Status: During our current audit procedures, we found that the TCCS did implement the recommendations.

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**Finding No. 3: In Violation of the Public Official and Employee Ethics Act, a Total of 4 Out of 11 Board Members, Plus the Administrative Assistants, Failed to File Statement of Financial Interests At Some Time During the Audit Period**

Finding Summary: Our prior audit of TCCS records for the calendar years ended December 31, 2005 and 2006 found that 4 out of 11 members of the TCCS board of trustees, plus the two administrative assistants, who served during some period covered in this audit report, failed to file their annual Statement of Financial Interests.

Recommendation: Our audit finding recommended that the TCCS:

Ensure procedures are in place to require board of trustee members and administrators, who are serving their final year at the charter school, to file a Statement of Financial Interests by May 1<sup>st</sup> of the school year they leave the charter school.

Current Status: During our current audit procedures, we found that the TCCS did implement the recommendation.

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**Finding No. 4: Failure to Retain Records and Internal Control Weaknesses in the Reporting of Membership Data**

Finding Summary: Our prior audit of the TCCS's membership records and reports found internal control weaknesses in reporting membership data to the Department of Education (DE) for the 2006-07 and 2005-06 school years. In addition the charter school failed to retain the records used in reporting membership to DE.

Recommendations: Our audit finding recommended that the TCCS:

1. Perform an internal review of all membership data prior to submission of reports to DE.
2. Retain all source documentation for audit purposes.
3. Attend DE child accounting seminars.

Current Status: During our current audit procedures we found that the TCCS did implement the recommendations.

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**Observation: Memorandum of Understanding Not Completed Timely**

Observation Summary: Our prior audit found that the TCCS opened in August of 2005; however, our audit of the TCCS's records found that the current Memorandum of Understanding (MOU) between the charter school and local law enforcement agency was signed August 23, 2007.

Recommendations: Our audit observation recommended that the TCCS:

1. In consultation with the solicitor, the TCCS administration should continue to review, update and re-execute the current MOU between the TCCS and the local law enforcement agency.
2. Additionally, the TCCS should adopt a policy requiring the administration to review and re-execute the MOU every two years.

Current Status: During our current audit procedures, we found that the TCCS did implement the recommendations.

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## **Distribution List**

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