

TIDIOUTE COMMUNITY CHARTER SCHOOL

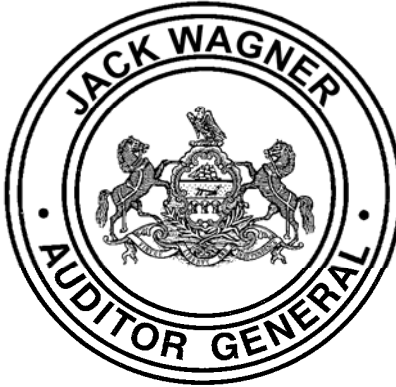
WARREN COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006,
AND IN CERTAIN AREAS EXTENDING BEYOND JUNE 30, 2007

WITH FINDINGS, OBSERVATION AND RECOMMENDATIONS

THROUGH DECEMBER 7, 2007



TIDIOUTE COMMUNITY CHARTER SCHOOL
WARREN COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

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TIDIOUTE COMMUNITY CHARTER SCHOOL
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

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

Dear Governor Rendell and Mr. Haney:

We have conducted a performance audit of the Tidioute Community Charter School for the years ended June 30, 2007 and 2006, and in certain areas extending beyond 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.

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

The results of our tests indicated that, in all significant respects, the Tidioute Community Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following findings. In addition, we reviewed the charter school's safe schools memorandum of understanding as discussed in observation.

Independent Auditor's Report (Continued)

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

- Finding No. 1 – Certification Irregularities
- Finding No. 2 – Thirteen Different Noncertified Teachers Lacked Physician's Certificates At Some Time During the Audit Period
- 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 Statements of Financial Interests At Some Time During the Audit Period
- Finding No. 4 – Failure to Retain Records and Internal Control Weaknesses in the Reporting of Membership Data
- Observation – Memorandum of Understanding Not Completed Timely

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

Sincerely,

December 7, 2007

/s/
JACK WAGNER
Auditor General

cc: Mr. Ronnie Weller, Board Vice-President
Mrs. Janet Anderson, Board Secretary
Mr. Rob Burris, Board of Trustees
Mrs. Sandra Ringel, Board of Trustees
Mrs. Julie Lindemuth, Board of Trustees
Mr. John Weaver, Board of Trustees
Mr. David L. Craig, Chief Executive Officer

TIDIOUTE COMMUNITY 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.¹ 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.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 school will be established,⁴ and that board must hold at least one public hearing before approving or rejecting the application.⁵ If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,⁶ which is comprised of the Secretary of Education and six members appointed by the Governor.⁷

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

¹ 24 P.S. § 17-1702-A.

² Id.

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).

⁸ 24 P.S. § 17-1720-A.

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

TIDIOUTE COMMUNITY 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.¹⁰ 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.¹¹ There are currently 125 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.¹² According to DE, nearly 50,000 children are enrolled in these schools.¹³

¹⁰ 24 P.S. § 17-1703-A.

¹¹ 24 P.S. § 17-1745-A (a), (f).

¹² Information obtained from the Department of Education as of October 12, 2007.

¹³ Department of Education Web site at http://www.pde.state.pa.us/charter_schools/site/default.asp.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Tidioute Community Charter School, located in Warren County, opened on August 29, 2005. The Tidioute Community Charter School was originally chartered on February 14, 2005 for a period of five years by the Warren County School District.

The mission of Tidioute Community Charter School is to develop the mind, soul, and physical well being of its students through the creation of a safe environment, innovative teaching practices, a mentor program and the encouragement of community involvement and individualized attention. The school believes these activities will result in a world class education in a small town environment.

During the school year ended June 30, 2007, the Tidioute Community Charter School provided educational services to 275 students from 3 sending school districts through the employment of 2 administrators, 28 teachers, and 4 full-time and part-time support personnel. The charter school also provided educational services to 250 students during the 2005-06 school year.

Expenditures for the school years¹⁴ 2006-07 and 2005-06 were \$2,452,531 and \$2,027,437, respectively. Revenues of \$2,821,260 and \$2,542,109 supporting these expenditures were derived from local, state, and federal sources for the 2006-07 and 2005-06 school years, respectively (see Summary of Charter School Revenue, page 6). State revenue was received in the form of reimbursements for charter schools, health services, Social Security and Medicare Taxes, and retirement obligations (see Appendix III Schedule of State Revenue, page 22).

The charter school derives the majority of its operating revenue from the school districts whose students attend the charter school. These sending school districts are required by Section 1725-A of the Charter School Law¹⁵ and instructions from the Department of Education (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,¹⁶ based upon the school districts’ general fund budgeted expenditures and average daily membership (ADM) for the immediately preceding school year. (Average daily membership 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 (see Appendix I Schedule of Local Revenue, page 20.)

¹⁴ A “school year” is synonymous to a “fiscal year” and covers the time period from July 1st to June 30th.

¹⁵ 24 P.S. § 17-1725-A.

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

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT
BACKGROUND

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

	<u>2007</u>	<u>2006</u>
<u>CHARTER SCHOOL REVENUES</u>		
Local Revenue*	\$2,515,471	\$2,075,443
Federal Revenue	105,065	34,260
State Revenue	<u>200,724</u>	<u>432,406</u>
<u>TOTAL REVENUE</u>	<u>\$2,821,260</u>	<u>\$2,542,109</u>

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

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

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

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

- to determine overall compliance with the Public School Code of 1949¹⁷ (Code) and the Charter School Law (Law);¹⁸
- 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;¹⁹
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,²⁰ to which charter schools are made subject by Section 1724-A(b) of the Law,²¹ 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;²²
- 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;

¹⁷ 24 P.S. § 1-101 *et seq.*

¹⁸ 24 P.S. § 17-1701-A *et seq.*

¹⁹ 24 P.S. § 17-1724-A(a).

²⁰ 24 P.S. §§ 11-1109 and 12-1209.

²¹ 24 P.S. § 17-1724-A(b).

²² 24 P.S. § 17-1715-A(9).

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE 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 Code²³ and Chapter 11 of the State Board of Education Regulations²⁴ 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;²⁵
- . 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 Act²⁶ (Ethics Act) by filing their Statement of Financial Interests Forms and to determine whether any violations of the Ethics Act occurred or any potential conflicts of interests exist;
- . to determine whether the charter school complied with Section 1303-A of the Code²⁷ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- . to determine whether the charter school is in compliance with Section 1724-A(c) of the Law²⁸ requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the charter school application unless the board of trustees has a retirement plan that covers the employees or the employees are enrolled in another retirement program; and
- . to determine whether the charter school is in compliance with Section 1728-A of the Law²⁹ 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, 2007 and 2006.

²³ 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).)

²⁴ 22 Pa. Code, Chapter 11.

²⁵ 22 Pa. Code § 11.24.

²⁶ 65 Pa.C.S. § 1101 *et seq.*

²⁷ 24 P.S. § 13-1303-A(c).

²⁸ 24 P.S. § 17-1724-A(c).

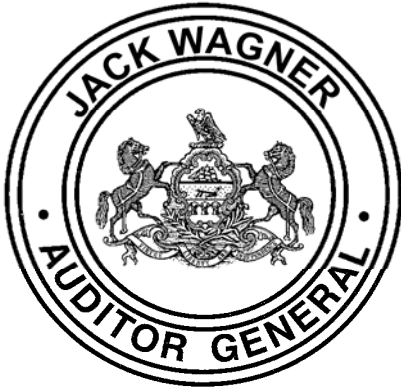
²⁹ 24 P.S. § 17-1728-A.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE 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 required by the Public School Code.

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



TIDIOUTE COMMUNITY CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION

The results of our tests indicate that, with respect to the audit objectives and items tested, the Tidioute Community 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 Tidioute Community Charter School met the following provisions:

- . tuition billings were accurate;
- . the charter school complied with Section 1303-A of the Code³⁰ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- . the charter school is in compliance with Section 1724-A(c) of the Law³¹ 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; and
- . the charter school submitted its annual reports assessing whether or not it met the goals of its charter to the Department of Education as required by Section 1728-A of the Law.³²

However, we determined that the Tidioute Community Charter School did not comply with other applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, as noted in the four findings listed below. Furthermore, we reviewed the charter school's safe schools memorandum of understanding as discussed in observation. The findings, observation and recommendations were reviewed with representatives of the Tidioute Community Charter School, and their comments have been included in this report.

Finding No. 1 – Certification Irregularities

Our audit of professional employees' certification and assignments for the period July 1, 2005 through October 30, 2007, was performed to determine compliance with the requirements of the Charter School Law, the Public School Code, and the federal No Child Left Behind Act.

³⁰ 24 P.S. § 13-1303-A(c).

³¹ 24 P.S. § 17-1724-A(c).

³² 24 P.S. § 17-1728-A.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

The Charter School Law provides in part that “[a]t least seventy-five per centum of the professional staff members of a charter school shall hold appropriate State certification” (Section 17-1724-A(a) of the Public School Code). The federal No Child Left Behind Act, however, now requires that charter school teachers must hold at least a bachelor’s degree and must demonstrate competency in the core academic areas in which they teach.

Section 711.5 of the Pa. Code provides that:

Persons who provide special education or related services to children with disabilities in charter schools shall have appropriate certification, notwithstanding Section 1724-A of the act.³³

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

Certification irregularities are not determined by the Department of the Auditor General. Information pertaining to the assignments was submitted to BTCP, DE for its review. On December 28, 2007, BTCP upheld all of the citations.

Management did not have procedures established to ensure that professional employees were properly certified for the positions assigned due to being a new charter school.

Lack of properly certified teachers could result in the charter school’s students not receiving a quality education. In addition, certification discrepancies may force a chartering school district to revoke a charter because the school has not fulfilled its contractual obligations of providing proficient instructors.

Recommendations

The board should establish review procedures to ensure that:

- all employees are properly certified and assigned; and
- each professional staff member’s position description is prepared and retained on file at the charter school.

Response of Management

Management agreed with the finding with no further comment.

³³ 22 Pa Code 711.5.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

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

Our review of the professional employees’ certification and assignments for the period July 1, 2005 through October 30, 2007, was performed to determine compliance with the Public School Code pursuant to Section 1724-A of the Charter School Law³⁴ (Law) and DE’s BTCP, Certification and Staffing Policies and Guidelines.

Pursuant to Section 1724-A(a) of the Law, a charter school may not have any more than 25 percent of its professional staff complement made up of noncertified professional employees.³⁵ In addition, Section 1724-A(b) of the Law³⁶, requires, among other things, that noncertified professional employees present evidence that they meet the qualifications of Sections 1109 and 1209 of the Public School Code,³⁷ which includes 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.

During the audit, we verified that the charter school complied with the requirements that their noncertified professional employees present evidence that they are at least 18 years of age and a U.S. citizen. However, we found that out of a total of 13 non-certified teachers employed by the charter school during the 2007-08, 2006-07 and 2005-06 school years, none of them possessed a physician’s certificate as required by Sections 1109 and 1209 of the Public School Code.³⁸ Of the teachers cited, two are cited for all three school years, 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.

In addition to causing Tidioute Community Charter School to be out of compliance with state law, the school’s lack of physician certificates for their noncertified teachers also presents the risk of exposing students to a teacher who is either mentally or physically disqualified from successful performance of the duties of a teacher.

According to school administrators, the physician certificates were purged from the employee personnel files due to a clerical miscommunication.

³⁴ 24 P.S. § 17-1724-A.

³⁵ 24 P.S. § 17-1724-A(a).

³⁶ 24 P.S. § 17-1724-A(b).

³⁷ 24 P.S. §§ 11-1109 and 12-1209.

³⁸ Ibid.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Recommendations

The Tidioute Community Charter School’s board of trustees should require the chief academic officer/administrator to:

- strengthen the school’s system of internal controls to ensure 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 Law³⁹ are maintained in the school’s files;
- ensure that all noncertified teachers without a required physician’s certificate obtain one; and
- ensure that all required physicians’ certificates are retained for audit purposes.

Response of Management

Management agreed with the finding with no further comment.

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 Statements of Financial Interests At Some Time During the Audit Period

Our audit of charter school records for the calendar years ended December 31, 2005 and 2006 found that 4 out of 11 members of the Tidioute Community Charter School Board of Trustees, plus the 2 administrative assistants, who served during some period covered in this audit report, failed to file their annual Statements of Financial Interests. The chart below provides a summary of this information.

**Statement of Financial Interests Summary Chart
For the Calendar Years Ended December 31, 2005 and 2006**

<u>Position</u>	<u>Number of Individuals Who Failed to File Statements of Financial Interests</u>
Board Vice-President	1
Board Secretary	1
Board Member-at-Large	2
Administrative Assistant	2

³⁹ 24 P.S. § 17-1724-A(b).

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

In addition, one member of the board of trustees photocopied the previous years (2005) Statement of Financial Interests form and submitted it for the next year (2006); this is a violation of the State Ethics Commission's instructions for completing the Statement of Financial Interests form.

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

Charter school personnel stated that they were unaware that administrators and board members who left the board needed to complete a Statement of Financial Interests form.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

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

For example, 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 . . .⁴⁰

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

⁴⁰ 65 Pa. C.S. § 1104 (d).

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT

Finding No. 3 (Continued)

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

Recommendation

The charter school personnel should ensure procedures are in place to require board members and administrators, who are serving their final year at the district, to file a Statement of Financial Interests by May 1st of the year following the year they leave the district.

Response of Management

Management agreed with the finding with no further comment.

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

Our audit of the charter school’s membership records and reports found internal control weaknesses in reporting membership data to 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.

Section 51.72 of the Public School Code⁴¹ provides in part the following:

- (a) Schools shall keep complete, accurate and detailed records of each individual student and of group conditions and activities.
- (b) Schools teaching any grades K through 12 shall maintain records for each student, which shall include the following:
 - (1) The number of hours of instruction received in each subdivision of the curriculum.
 - (2) Attendance.

⁴¹ 22 P.S. § 51.72.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT

Finding No. 4 (Continued)

For the 2006-07 school year, the total average daily membership (ADM) on the reports sent to DE did not reconcile to the excel spreadsheet (used to report ADM's to DE) on file at the charter school. In addition, charter school personnel reported 176 days in session for students; however, the school calendar showed 180 days in session for students. This error affected the instructional time reports submitted to DE.

For the 2005-06 school year, charter school personnel did not retain any records to verify the total ADM's submitted to DE. In addition, the charter school personnel incorrectly reported the instructional hours in a regular school day.

Also, for both the 2006-07 and 2005-06 school years, charter school personnel did not retain information on student's attendance.

Additionally, for billing purposes the child accounting reports were not used. Charter school personnel created monthly billing reconciliations using student registration statements.

Charter school personnel stated that they were unaware records needed to be retained for audit purposes. Additionally, the charter school is using a new software package therefore they were unable to provide reports for the years of audit.

The lack of verification of the ADMs could result in the sending school districts not receiving the correct basic education reimbursement from DE.

Recommendations

The board of trustees should require charter school personnel responsible for reporting pupil membership to:

- perform an internal review of all membership data prior to submission of reports to DE;
- retain all source documentation necessary for audit purposes; and
- attend DE child accounting seminars.

Response of Management

Management agreed with the finding with no further comment.

TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT

Observation – Memorandum of Understanding Not Completed Timely

Our audit of the charter school’s records found that the current Memorandum of Understanding (MOU) between the charter school and their local law enforcement agency, the Tidioute Borough Police Department, was not signed until August 23, 2007. The charter school was in operation for two years without having a proper MOU on file.

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

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.⁴²

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

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

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

Recommendations

The charter school administration, in consultation with the solicitor, should continue to review, update and re-execute the current MOU between the school and the local law enforcement agency.

⁴² 24 P.S. § 13-1303-A(c).

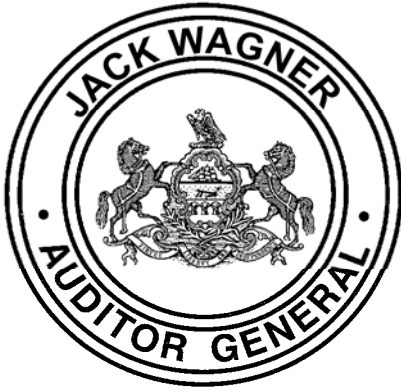
TIDIOUTE COMMUNITY CHARTER SCHOOL
PERRFORMANCE AUDIT REPORT

Observation (Continued)

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

Response of Management

Management agreed with the observation with no further comment.



TIDIOUTE COMMUNITY CHARTER SCHOOL
APPENDIX I

[UNAUDITED]

Schedule of Local Revenue

The charter school reported local revenue for the years ended June 30, 2007 and 2006, as follows:

<u>LOCAL REVENUE</u>	<u>2007</u>	<u>2006</u>
Earnings on Investments	\$ 17,336	\$ 3,581
Student Activities	5,720	5,543
Contributions and Donations from Private Sources	5,775	6,003
Community Service Activities	18	-
Miscellaneous*	4,210	1,377
Payments from Sending School Districts		
Forest Area	93,361	59,855
Titusville Area	77,720	65,331
Warren County	<u>2,311,332</u>	<u>1,933,753</u>
<u>TOTAL PAYMENTS</u>	<u>\$2,515,472</u>	<u>\$2,075,443</u>

*As explained by the charter school, the line items with an asterisk represent reimbursement of lost books, recycling monies, refunds/rebates, and prior period adjustments.

TIDIOUTE COMMUNITY CHARTER SCHOOL
APPENDIX II

[UNAUDITED]

Schedule of Federal Revenue

The charter school reported federal revenue of \$105,065 and \$34,260, respectively, for the years ended June 30, 2007 and 2006, as detailed in the following schedule:

	<u>2007</u>	<u>2006</u>
<u>FEDERAL REVENUE</u>		
IDEA, Part B	\$ 53,227	\$ -
NCLB (1), Title 1, Improving the Academic Achievement of the Disadvantaged	41,770	34,260
NCLB (1), Title II, Preparation/Training/Recruitment HQ Teachers/Principal	9,020	-
NCLB (1), Title V, Promoting Informed Parental Choice and Innovative Programs	184	-
Drug Free Schools	<u>864</u>	<u>-</u>
<u>TOTAL FEDERAL REVENUE</u>	<u>\$105,065</u>	<u>\$34,260</u>

TIDIOUTE COMMUNITY CHARTER SCHOOL
APPENDIX III

[UNAUDITED]

Schedule of State Revenue

The charter school reported state revenue of \$200,724 and \$432,406, respectively, for the years ended June 30, 2007 and 2006, as detailed in the following schedule:

	<u>2007</u>	<u>2006</u>
<u>STATE REVENUE</u>		
Charter Schools	\$100,000	\$358,600
Health Services	4,740	-
Social Security and Medicare Taxes	58,887	46,551
Retirement	<u>37,097</u>	<u>27,255</u>
<u>TOTAL STATE REVENUE</u>	<u>\$200,724</u>	<u>\$432,406</u>

TIDIOUTE COMMUNITY CHARTER SCHOOL
APPENDIX IV

Description of State Revenue (Source: Pennsylvania Accounting Manual)

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

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.

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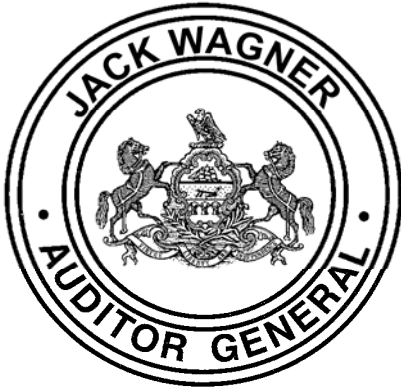
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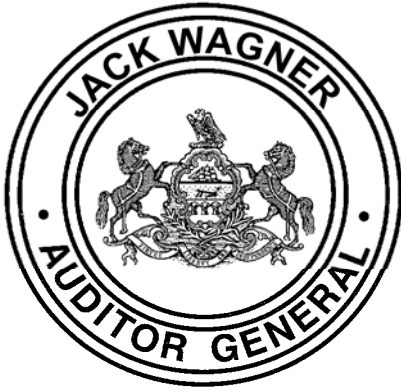
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