

PERFORMANCE AUDIT

Young Scholars of Central PA Charter School Centre County, Pennsylvania

June 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Dr. Levent Kaya, Chief Executive Officer
Young Scholars of Central PA Charter School
1530 Westerly Parkway
State College, Pennsylvania 16801

Dr. Patreese Ingram, Board President
Young Scholars of Central PA Charter School
1530 Westerly Parkway
State College, Pennsylvania 16801

Dear Dr. Kaya and Dr. Ingram:

We have conducted a performance audit of the Young Scholars of Central PA Charter School (Charter School) for the period July 1, 2012 through June 30, 2016, except as otherwise indicated in the audit scope, objective, and methodology section of the report. We evaluated the Charter School's performance in the following areas as further described in the appendix of this report:

- Adherence to the Lease Reimbursement Program
- Lack of Conflicts of Interest
- Appropriate Staff Certification
- Appropriate Tuition Billing
- Providing Employees with a Retirement Plan
- Adherence to Open Enrollment Provisions

We also evaluated the application of best practices in the area of school safety. Due to the sensitive nature of this issue and the need for the results of this review to be confidential, we did not include the results in this report. However, we communicated the results of our review of school safety to District officials, Pennsylvania Department of Education, and other appropriate officials as deemed necessary.

The audit was conducted pursuant to Sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403), and in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit found that the Charter School performed adequately in the areas in the bulleted list above.

Dr. Levent Kaya
Dr. Patreese Ingram
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We appreciate the Charter School's cooperation during the course of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eugene A. DePasquale
Auditor General

June 8, 2018

cc: **YOUNG SCHOLARS OF CENTRAL PA CHARTER SCHOOL** Board of Trustees

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Background Information

School Characteristics 2016-17 School Year ^A	
County	Centre
Total Square Miles	1,113
Number of School Buildings	1
Total Teachers	38
Total Full or Part-Time Support Staff	19
Total Administrators	8
Total Enrollment for Most Recent School Year	347
Intermediate Unit Number	10
Charter School Vo-Tech School	N/A

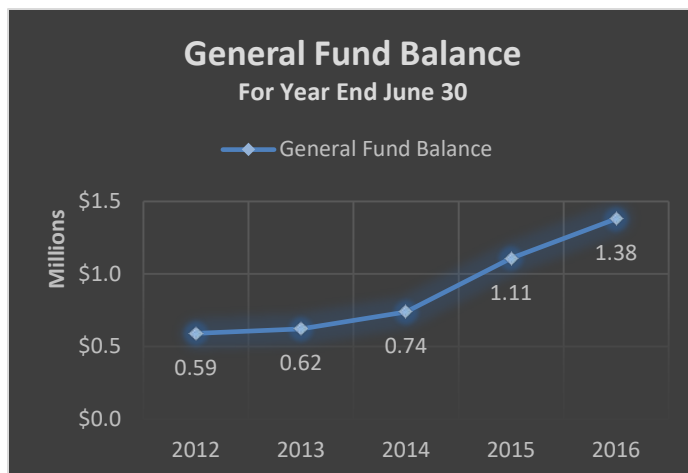
A - Source: Information provided by the Charter School administration and is unaudited.

Mission Statement^A

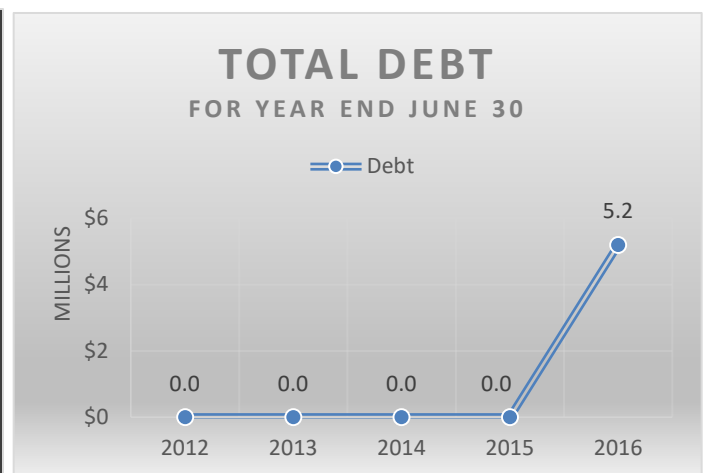
Young Scholars of Central Pennsylvania Charter School seeks to establish in Centre County, a unique, proactive alternative to traditional public education which provides an ideal “international” environment for the intellectual and social development of its students.

Financial Information

The following pages contain financial information about the Young Scholars of Central PA Charter School (Charter School) obtained from annual financial data reported to the Pennsylvania Department of Education (PDE) and available on PDE’s public website. This information was not audited and is presented for **informational purposes only**.

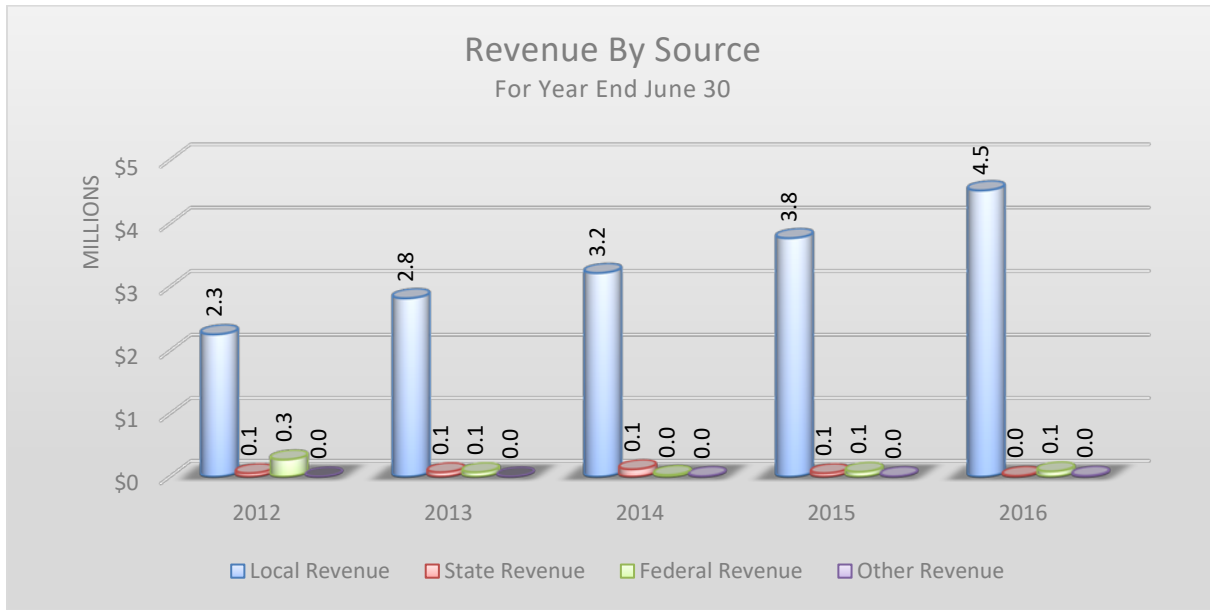
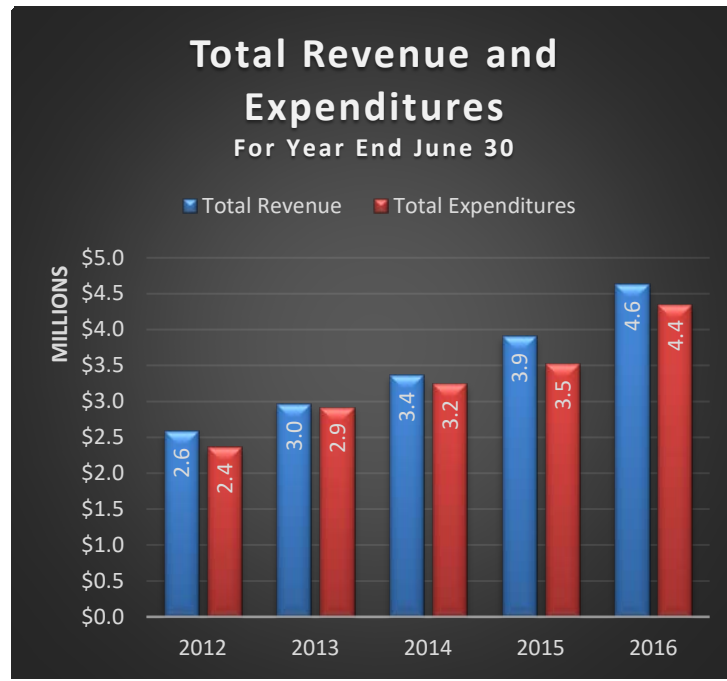


Note: General Fund Balance is comprised of the Charter School’s Committed, Assigned and Unassigned Fund Balances.



Note: Total Debt is comprised of Short-Term Borrowing, General Obligation Bonds, Authority Building Obligations, Other Long-Term Debt, Other Post-Employment Benefits, Compensated Absences and Net Pension Liability.

Financial Information Continued



Academic Information

The graphs on the following pages present School Performance Profile (SPP) scores and Pennsylvania System of School Assessment (PSSA) scores for the Charter School obtained from PDE's data files for the 2014-15 and 2015-16 school years.¹ These scores are provided in the Charter School's audit report for **informational purposes only**, and they were not audited by our Department. Please note that if one of the Charter School's schools did not receive a score in a particular category and year presented below, the school will not be listed in the corresponding chart.² Finally, benchmarks noted in the following graphs represent the statewide average of all public school buildings in the Commonwealth that received a score in the category and year noted.³

Young Scholars of Central PA Charter School provides educational services to grades kindergarten through 8th grade; therefore, the 2014-15 SPP Scores, Keystone Exams, and the 4-Year Cohort Graduation Rate are not applicable for this charter school.

What is a SPP score?

A SPP score serves as a benchmark for schools to reflect on successes, achievements, and yearly growth. PDE issues a SPP score using a 0-100 scale for all school buildings in the Commonwealth annually, which is calculated based on standardized testing (i.e. PSSA and Keystone exam scores), student improvement, advance course offerings, and attendance and graduation rates. Generally speaking, a SPP score of 70 or above is considered to be a passing rate.

PDE started issuing a SPP score for all public school buildings beginning with the 2012-13 school year. For the 2014-15 school year, PDE only issued SPP scores for high schools taking the Keystone Exams as scores for elementary and middle schools were put on hold due to changes with PSSA testing.⁴ PDE resumed issuing a SPP score for all schools for the 2015-16 school year.

¹ PDE is the sole source of academic data presented in this report. All academic data was obtained from PDE's publically available website.

² PDE's data does not provide any further information regarding the reason a score was not published for a specific school. However, readers can refer to PDE's website for general information regarding the issuance of academic scores.

³ Statewide averages were calculated by our Department based on individual school building scores for all public schools in the Commonwealth, including district schools, charters schools, and cyber charter schools.

⁴ According to PDE, SPP scores for elementary and middle schools were put on hold for the 2014-15 school year due to the state's major overhaul of the PSSA exams to align with state Common Core standards and an unprecedented drop in public schools' PSSA scores that year. Since PSSA scores are an important factor in the SPP calculation, the state decided not to use PSSA scores to calculate a SPP score for elementary and middle schools for the 2014-15 school year. Only high schools using the Keystone Exam as the standardized testing component received a SPP score.

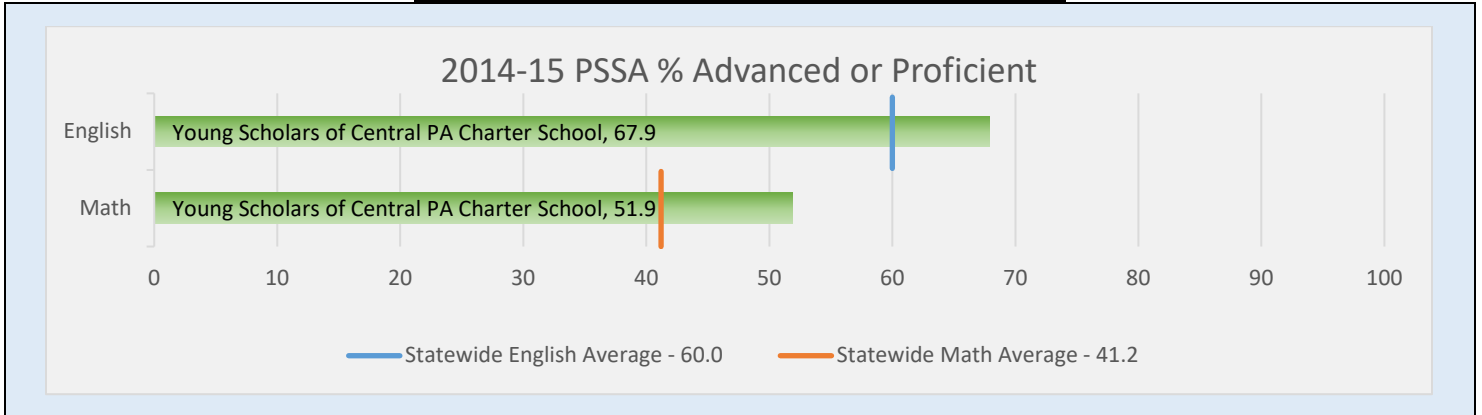
What is the PSSA?

The PSSA is an annual, standardized test given across the Commonwealth to students in grades 3 through 8 in core subject areas, including English and Math. The PSSAs help Pennsylvania meet federal and state requirements and inform instructional practices, as well as provide educators, stakeholders, and policymakers with important information about the state's students and schools.

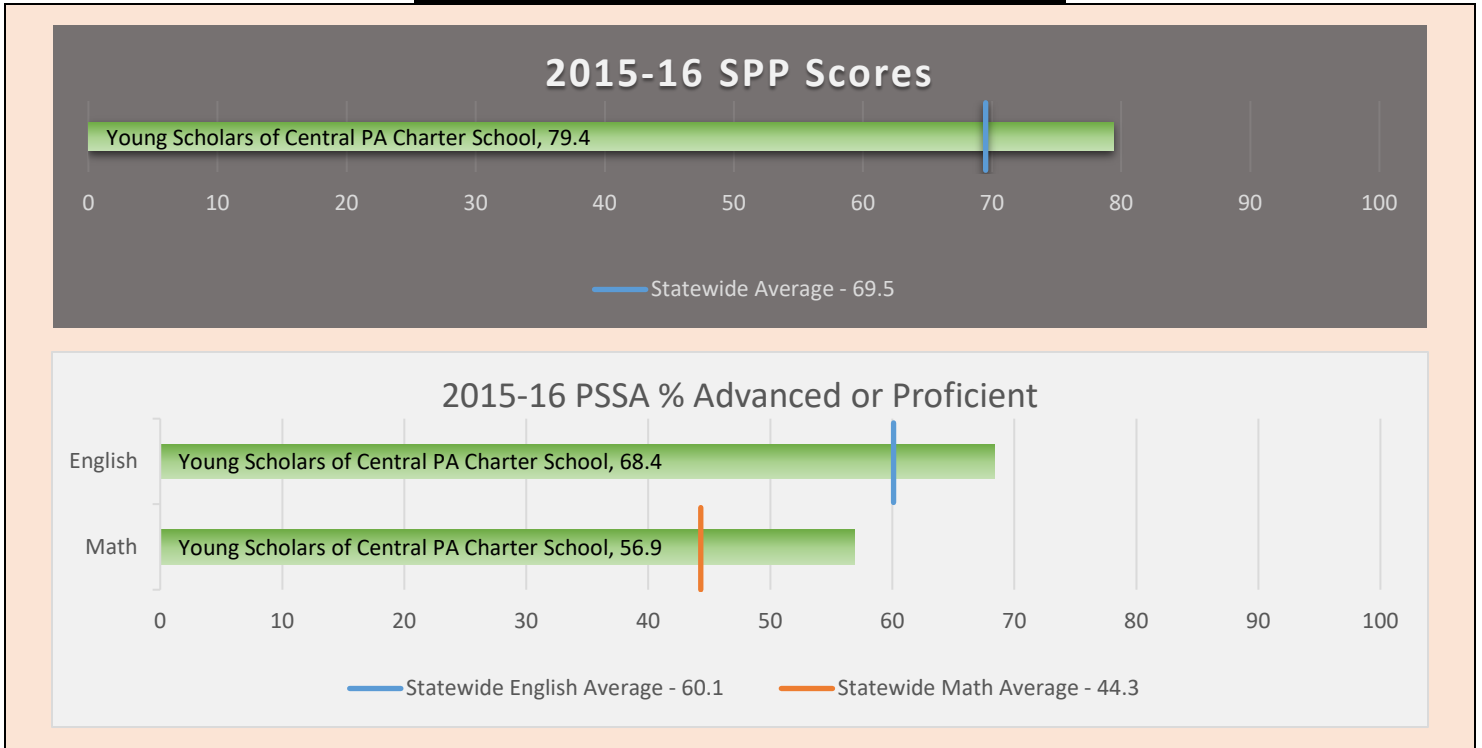
The 2014-15 school year marked the first year that PSSA testing was aligned to the more rigorous PA Core Standards.⁵ The state uses a grading system with scoring ranges that place an individual student's performance into one of four performance levels: Below Basic, Basic, Proficient, and Advanced. The state's goal is for students to score Proficient or Advanced on the exam in each subject area.

⁵ PDE has determined that PSSA scores issued beginning with the 2014-15 school year and after are not comparable to prior years due to restructuring of the exam.

2014-15 Academic Data
School Scores Compared to Statewide Averages



2015-16 Academic Data
School Scores Compared to Statewide Averages



The Charter School Law

The board of a charter or cyber charter school is responsible for governance of the school. Specifically, under the Charter School Law (CSL), the board has the authority to decide matters related to the operation of the school, including, but not limited to, budgeting, curriculum, and operating procedures, subject to the school's charter.⁶ In addition, the Pennsylvania Supreme Court has ruled that a charter board must retain ultimate authority over the general operations of the school, not the founder or any management company hired by the board.⁷

The CSL also designates board members and administrators with management or operational oversight responsibilities of charter and cyber charter schools as public officials subject to the Ethics Act.⁸ Moreover, the CSL requires board members and meetings to comply with the Sunshine Act and open meeting requirements.⁹

⁶ 24 P.S. § 17-1716-A(a) is applicable to cyber charter schools by way of its incorporation through 24 P.S. § 17-1749-A(a)(1).

⁷ *W. Chester Area Sch. Dist. v. Collegium Charter Sch.*, 760 A.2d 452 (Pa. Cmwlth. 2000).

⁸ CSL sections 24 P.S. §§ 17-1715-A(11)-(12) and 17-1749-A(a)(1) make the Ethics Act, 65 Pa.C.S. § 1101 *et seq.*, applicable to charter schools and cyber charter schools.

⁹ The Sunshine Act, 65 P.S. § 701 *et seq.*, is incorporated through 24 P.S. §§ 1716-A(c) and 1749-A(a)(1) of the CSL.

Finding

For the audited period, our audit of the Young Scholars of Central PA Charter School resulted in no findings.

Status of Prior Audit Findings and Observations

Our prior audit of the Young Scholars of Central PA Charter School (Charter School) released on March 1, 2013, resulted in two findings, as shown below. As part of our current audit, we determined the status of corrective action taken by the Charter School to implement our prior audit recommendations. We reviewed the Charter School's written response provided to the Pennsylvania Department of Education (PDE), interviewed Charter School personnel, and performed audit procedures as detailed in each status section below.

Auditor General Performance Audit Report Released on March 1, 2013

Prior Finding No. 1: Certification Deficiencies and Failure to Comply with the 75 Percent Certified Staff Requirements of the Charter School Law

Prior Finding Summary: During our prior audit of the Charter School, we found that the Charter School did not meet the requirement under the Charter School Law (CSL) that at least 75 percent of its professional staff hold appropriate state certification during the 2008-09 school year. Additionally, we found that three professional employees were assigned to administrative positions without proper certification.

Prior Recommendations: We recommended that the Charter School should require:

1. At least 75 percent of the professional employees are properly certified for their assigned positions, for the entire school year, in compliance with the CSL and the Public School Code (PSC).
2. Individuals performing the duties reserved to a principal's certification hold appropriate state certification or cease from performing those duties.
3. Administrative personnel be provided with sufficient training in order to understand and manage certification requirements as defined by the CSL, PSC, and PDE's Certification and Staffing Policies Guidelines.

We also recommended the State College Area School District should:

4. Follow-up with the Charter School regarding these individuals' future administrative assignments and certification status.
5. Ensure that the Charter School is meeting the CSL's requirement to employ at least 75 percent certified staff.

6. Review the charter of the Charter School and determine whether the Charter School is violating certification terms of its approved charter with the district.

Current Status:

The Charter School implemented our recommendations. We determined that 75 percent of the professional staff hold appropriate state certification for the 2016-17 school year. We reviewed the certification of the three individuals cited in our previous report and determined that two of them are no longer employed by the Charter School and the other individual, who is currently still the Chief Executive Officer/Principal, is now properly certified for his position. Since our prior audit, the Charter School has hired two Assistant Principals, and both individuals are properly certified for their assignments. We also determined training was held with the Charter School's solicitor to review requirements of the PSC and staffing regulations.

Prior Finding No. 2: Possible Ethics Violations

Prior Finding Summary: During our prior audit of the Charter School, we found potential conflicts of interest and violations of the Public Official and Employee Ethics Act resulting from transactions between the Charter School and the related nonprofit organization it was renting its building from. The Charter School and its landlord are related party entities by way of sharing common officers. Consequently, the same individuals were involved in the approval, administration, and oversight of the lease agreement between the related parties. Moreover, these relationships may result in the Charter School being ineligible to receive state lease reimbursement for its building.

Prior Recommendations: We recommended that the Charter School should:

1. Require all Board of Trustees' (Board) members to list all business interests on their Statements of Financial Interest form.
2. Require its solicitor provide a summary of all the board members' legal requirements under the Ethics Act.
3. Ask its solicitor to review the terms of its lease agreement, as well as possible related party agreements, prior to approval.

We recommended the State Ethics Commission should:

4. Determine if the Charter School is in violation of the Ethics Act.

We also recommended the Pennsylvania Department of Education should:

5. Determine whether the Charter School is eligible to receive the state lease reimbursement.

Current Status:

We found that all board members listed their business interests on the Statements of Financial Interest forms for the calendar years ending December 30, 2012, 2013, 2014, 2015, and 2016.

The State Ethics Commission determined that the specific facts of the matter did not warrant themselves as a violation of the State Ethics Act. The matter was closed on December 16, 2014, as “no cause for action.” The individuals cited in the prior report no longer serve on either board. PDE continues to pay the Charter School the lease reimbursement.

Appendix: Audit Scope, Objectives, and Methodology

School performance audits allow the Pennsylvania 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, Pennsylvania Department of Education (PDE), and other concerned entities.

Our audit, conducted under authority of Sections 402 and 403 of The Fiscal Code,¹⁰ is not a substitute for the local annual financial 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit.

Scope

Overall, our audit covered the period July 1, 2012 through June 30, 2016. In addition, the scope of each individual audit objective is detailed on the next page.

The Young Scholars of Central PA Charter School's (Charter School) management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Charter School is in compliance with certain relevant state laws, regulations, contracts, and administrative procedures (relevant requirements).¹¹ In conducting our audit, we obtained an understanding of the Charter School's internal controls, including any information technology controls, which we consider to be significant within the context of our audit objectives. We assessed whether those controls were properly designed and implemented. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

¹⁰ 72 P.S. §§ 402 and 403.

¹¹ 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; and compliance with certain relevant state laws, regulations, contracts, and administrative procedures.

Objectives/Methodology

In order to properly plan our audit and to guide us in selecting objectives, we reviewed pertinent laws and regulations, board meeting minutes, academic performance data, annual financial reports, annual budgets, new or amended policies and procedures, and the independent audit report of the Charter School's basic financial statements for the fiscal years July 1, 2012 through June 30, 2016. We also determined if the Charter School had key personnel or software vendor changes since the prior audit.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws, regulations, third-party studies, and best business practices. Our audit focused on the Charter School's efficiency and effectiveness in the following areas:

- Adherence to the Lease Reimbursement Program
- Lack of Conflicts of Interest
- Appropriate Staff Certification
- Appropriate Tuition Billing
- Providing Employees with a Retirement Plan
- Adherence to Open Enrollment Provisions
- Appropriate School Safety

As we conducted our audit procedures, we sought to determine answers to the following questions, which served as our audit objectives:

- ✓ Did the Charter School receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program administered by PDE, was its lease agreement approved by its Board of Trustees (Board), and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?¹²
 - To address this objective, we reviewed a variety of documentation including, board meeting minutes, the Landlord's deed, the original lease, current lease, PDE's Application for Approval of Charter School Lease, as well as, the Application for Reimbursement of Charter School Lease¹³ for all four lease reimbursement payments for the period covering July 1, 2012 through June 30, 2016. We determined that the Charter School's lease complied with the provisions of the Public Official and Employee Ethics Act. Our review of this objective did not disclose any reportable issues.
- ✓ Were the Charter School's Board and administrators free from apparent conflicts of interest and in compliance with the Charter School Law (CSL), the Public School Code (PSC), the Public Official and Employee Ethics Act, and the Sunshine Act?

¹² 65 Pa.C.S. § 1101 *et seq.*

¹³ PDE application for approval of a charter school lease (PDE 418) is submitted to PDE prior to the Charter School completing the application for reimbursement of a charter school lease (PDE 419).

- To address this objective, we reviewed all five IRS Form 990s and all board members and administrators' Statements of Financial Interest Form for the years ended December 31, 2012 through December 31, 2016, and determined whether the Charter School's Board and administrators were free from apparent conflicts of interest and in compliance with the CSL, the PSC, the Public Official and Employee Ethics Act, and the Sunshine Act. Our review of this objective did not disclose any reportable issues.
- ✓ Were at least 75 percent of the Charter School's teachers properly certified pursuant to Section 1724-A of the CSL, and did all of its non-certified teachers in core content subjects meet the "highly qualified teacher" requirements under the federal No Child Left Behind Act of 2001?
 - To address this objective, we obtained a staff listing report, as of October 24, 2017, teacher schedules, and professional certificates to determine if all 39 individuals listed on the staff listing report were properly certified/licensed for their assignment and if at least 75 percent of the Charter School's teachers were properly certified for their assignment.¹⁴ Our review of this objective did not disclose any reportable issues.
- ✓ Were the Charter School tuition billings accurate?
 - To address this objective, we reviewed the Charter School's Tuition by District Report and compared it to the end-of-year reconciliation report for all 13 sending school districts in the 2015-16 school year. In addition, we verified that the tuition rates charged were in agreement with PDE's Charter School tuition rates. Our review of this objective did not disclose any reportable issues.
- ✓ Did the Charter School provide its employees with a retirement plan, such as the Public School Employees' Retirement System (PSERS), as required by Section 1724-A(c) of the CSL, and were employees enrolled in PSERS eligible to receive plan benefits?
 - To address this objective, we reviewed monthly retirement reports submitted to PSERS for the 2015-16 school year to confirm that all 38 Charter School employees were enrolled in the retirement plan. In addition, we compared board approved salaries for the three top administrators to PSERS reports to determine if unqualified wages were reported to PSERS for retirement. Our review of this objective did not disclose any reportable issues.
- ✓ Did the Charter School comply with the open enrollment and lottery provisions under Section 1723-A of the CSL?¹⁵
 - To address this objective, we reviewed the Charter School's Open Enrollment Lottery Policy and Special Education Enrollment Policy to see if the policies

¹⁴ The Charter School employs one Occupational Therapist who does not require a certificate, but does require an Occupational Therapist license.

¹⁵ 24 PS 17-1723A - Enrollment.

complied with the open enrollment and lottery provisions. Our review of this objective did not disclose any reportable issues.

✓ Did the Charter School take actions to ensure it provided a safe school environment?¹⁶

- To address this objective, we reviewed a variety of documentation including, safety plans, training schedules, and anti-bullying policies. In addition, we conducted an on-site review at the Charter School's building to assess whether the Charter School had implemented basic safety practices.¹⁷ Due to the sensitive nature of school safety, the results of our review of this objective are not described in our report. The results of our review of school safety are shared with the Charter School officials and other appropriate agencies.

¹⁶ 24 P.S. § 13-1301-A *et seq.*

¹⁷ Basic safety practices evaluated were building security, bullying prevention, visitor procedures, risk and vulnerability assessments, and preparedness.

Distribution List

This report was initially distributed to the Chief Executive Officer of the Charter School, the Board of Trustees, and the following stakeholders:

The Honorable Tom W. Wolf

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This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.