

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Commonwealth Charter Academy

Commonwealth Charter Academy Charter School⁶⁵ (CCA), which is a cyber charter school that largely utilizes technology for its curriculum and instruction through the internet or other electronic means,⁶⁶ was established in 2003, with the most recent charter being approved from July 2011 to June 2016.⁶⁷ In stark contrast to all of the other four cyber schools in our audit population, CCA owned a total of 19 buildings and leased two buildings as of June 30, 2023⁶⁸ as further discussed in *Appendix CCA* of this report. CCA's owned and leased buildings are used for administrative functions and as Family Service Centers (FSCs), which serve as locations for in-person support for families and students⁶⁹ (for a more detailed discussion on these Centers, please see the CCA *Findings 2 and 3*). For the 2022-23 fiscal year, CCA had an enrollment of 20,358 students, which makes it the second largest local education agency in the state behind only the Philadelphia School District. CCA has 1,679 employees, including 135 administrators, 1,223 teachers, and 321 support staff.⁷⁰

CCA's mission is: "To deliver a personalized learning experience that engages the entire family and prepares learners to succeed in school and in life."

The following chart shows CCA's revenues, expenditures, fund balance, and enrollment for the fiscal years ended June 30, 2020, 2021, 2022, and 2023:⁷¹

⁶⁵ Commonwealth Charter Academy changed its name from Commonwealth Connections Academy to Commonwealth Charter Academy in 2016.

⁶⁶ 24 P.S. § 17-1703-A.

⁶⁷ CCA's most recent charter was approved by the Pennsylvania Department of Education (PDE) for the period of July 2011, to June 2016. Although PDE has not renewed the most recent charter, CCA operates under the terms of the latest charter agreement until PDE renews or revokes the charter.

⁶⁸ While CCA owned 19 buildings and leased two others as of the end of our audit period (June 30, 2023), CCA management provided information that one additional building, the Harrisburg Data Center, was purchased after the end of the audit. All 22 buildings (owned and leased) are discussed in *Appendix CCA*.

⁶⁹ For example, the CCA FSCs provide for: locations for field trips, clubs, career development, state testing, primary location where teachers provide instruction, and other in-person activities.

⁷⁰ Information on the number of employees was obtained from CCA management. Enrollment is based on the number of students enrolled at CCA as of October 1 of each year. Employees of CCA are non-union and participate in the Pennsylvania Public School Employees' Retirement System and may voluntarily participate in a 403(b) retirement plan.

⁷¹ Our audit period included the period July 1, 2020, through June 30, 2023. Throughout the report, we may include revenue, expenditure, and fund balance information obtained from the audited financial report for the fiscal year ending June 30, 2020, given the significance of that year due to the COVID-19 pandemic's impact on cyber charter schools.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA Revenues, Expenditures and Fund Balance for Fiscal Year Ended June 30 (Total Governmental Funds) ^a				
	2020	2021	2022	2023
Revenues	\$164,476,445	\$315,715,590	\$397,471,987	\$421,097,245
Expenditures	\$138,215,929	\$269,388,455	\$308,587,055	\$441,032,289
Fund Balance	\$95,301,078	\$143,503,213	\$232,464,351	\$213,369,717
Enrollment	9,294	16,419	18,090	20,358

^a The revenues, expenditures, and fund balance reported in this table includes both the general fund and capital projects fund. See CCA Findings 1, 2 and 3 for further discussion.

Source: Prepared by Department of the Auditor General staff from the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund from CCA's Audited Financial Statements for the fiscal years ended June 30, 2020, 2021, 2022, and 2023. Enrollment information, as of October 1 annually, was obtained from the Pennsylvania Department of Education's website, as further discussed in Appendix C. The enrollment data is of undetermined reliability, as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

As described in the *Audit Procedures and Results* section of this audit report, we conducted a performance audit including audit objectives related to revenues, expenditures, and fund balances for fiscal years ended June 30, 2021, 2022, and 2023. Our results for these three issues found the following:

- CCA's revenue increased \$256.6 million, or 156 percent, from the 2019-20 fiscal year to the 2022-23 fiscal year due, in part, to increases in enrollment during the COVID-19 pandemic and supplemental federal relief funds. See CCA Finding 1.
- CCA's expenditures increased \$302.8 million, or 219 percent, from \$138.2 million in the 2019-20 fiscal year to \$441 million in the 2022-23 fiscal year due to increases in enrollment and capital expenditures. See CCA Finding 2.
- CCA's General Fund and Capital Projects Fund balance increased 124 percent from \$95.3 million as of July 1, 2020, to \$213.4 million as of June 30, 2023. CCA also expended approximately \$196 million for building acquisition/construction during the audit period. See CCA Finding 3.

We discuss our findings in detail in the following sections.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Finding 1 – CCA’s revenue increased \$256.6 million, or 156 percent, from the 2019-20 fiscal year to the 2022-23 fiscal year due, in part, to increases in enrollment during the COVID-19 pandemic and supplemental federal relief funds.

CCA’s revenue is mainly driven by tuition from resident school districts in the form of tuition payments paid by school districts to the cyber charter school, which includes local taxpayer dollars. In addition to the tuition received from districts, CCA also receives a small portion of its revenue from other state sources,⁷² as well as from federal sources,⁷³ including supplemental relief funds received due to the COVID-19 pandemic.⁷⁴ The table below shows the breakdown of revenue received from local,⁷⁵ federal and state sources:

CCA Revenues by Source				
Fiscal Year	Local	Federal	State	Total
2019-20	\$159,539,108	\$4,499,259	\$438,078	\$164,476,445
2020-21	\$289,494,056	\$25,775,871	\$445,663	\$315,715,590
2021-22	\$348,748,634	\$48,287,366	\$435,987	\$397,471,987
2022-23	\$402,738,031	\$17,861,378	\$497,836	\$421,097,245
Total	\$1,200,519,829	\$96,423,874	\$1,817,564	\$1,298,761,267
Percentage of Total Revenue	92.44%	7.42%	0.14%	100%

Source: Prepared by Department of the Auditor General staff from the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund from CCA’s Audited Financial Statements for fiscal years ended June 30, 2020, 2021, 2022, and 2023.

⁷² “State sources” or “State programs” comprise all subsidies and grants. Subsidies are payments to schools based on criteria or formulas derived from enacted state statutes. Grants are competitive funding streams and require schools to complete applications and demonstrate need. This includes technology grants, mental health and student safety grants, and other education and technology grants. See PDE’s *Manual of Accounting*, page 22, revised November 2023. See also 24 P.S. § 1725-A.

⁷³ Title I, II, III, & IV (Every Student Succeeds Act, ESSA, which reauthorized the Elementary and Secondary Education Act of 1965) are federally funded supplemental education programs that provide financial assistance to local educational agencies such as cyber charter schools, to improve educational opportunities for educationally deprived children and to improve support for students with improved technology and school conditions. See <https://www2.ed.gov/about/inits/ed/non-public-education/essa.html> (accessed August 22, 2024).

⁷⁴ COVID-19 Relief programs – Elementary and Secondary School Emergency Relief Fund (ESSER) was funded through the Coronavirus Aid, Relief and Economic Security Act; ESSER II was funded through the Coronavirus Response and Relief Supplemental Appropriations Act; ARP ESSER was funded through the American Rescue Plan. See <https://www.ed.gov/coronavirus/cares-act-emergency-relief> (accessed August 22, 2024).

⁷⁵ Revenue from “local sources” include mainly tuition payments received from districts, with a small percentage from earnings on investments, the Capital Project Fund, and other miscellaneous revenues.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

As shown in the table above, revenue increased significantly from the 2019-20 fiscal year to the 2020-21 fiscal year, mainly due to an increase in enrollment, in part, because of the COVID-19 pandemic.⁷⁶ CCA's enrollment increased from 9,294 in the 2019-20 fiscal year to 16,419 in the 2020-21 fiscal year, and more than doubled to 20,358 in the 2022-23 fiscal year, resulting in a large increase of tuition revenue.⁷⁷

Local revenues are made up mainly of tuition payments from resident districts, which includes local tax revenues derived in part from property taxes, ranging from 88 to 97 percent of revenue in each fiscal year and collectively averaged a total of 92 percent of CCA's revenue for the four years as shown above. Federal revenue accounted for a majority of the remaining revenue, which increased during the above period mainly because CCA received approximately \$65.7 million in federal COVID-19 relief funds in the 2020-21, 2021-22, and 2022-23 fiscal years, as shown in the table below:

Federal COVID-19 Relief Funds	
Fiscal Year	Amount
2020-21	\$18,542,289
2021-22	\$39,421,708
2022-23	\$7,771,991
Total	\$65,735,988

Source: Federal COVID-19 relief funding information obtained from CCA's Audited Financial Statements, Schedule of Expenditures of Federal Awards for the fiscal years ended June 30, 2021, 2022, and 2023.⁷⁸

CCA management indicated that the federal relief funds were mainly used for teacher salaries and benefits to combat the learning loss and maintain reasonable class sizes for the students. CCA indicated they also used funds for technology purchased for learners, supplemental special education curriculum, and cleaning staff and supplies for its buildings.

Because a majority of CCA's revenue comes from tuition payments from resident school districts, the following sections discuss the total tuition revenue billed by CCA, as well as the significant variation in regular and special education rates paid by each district. We also

⁷⁶ Enrollment information, as of October 1 of each year, was obtained from PDE's website, as discussed in *Appendix C*. The enrollment data is of undetermined reliability, as noted in *Appendix A*. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

⁷⁷ While the 2019-20 fiscal year was not part of our audit scope, we felt it was important to show the large increase in revenue between the 2019-20 and 2020-21 fiscal years resulting, in part, from increased enrollment due to the pandemic.

⁷⁸ The amounts shown as expenditures on CCA's Audited Financial Statements, Schedule of Expenditures of Federal Awards, are also the amounts recognized as revenue for that year.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

conducted procedures to ensure CCA was accurately billing the districts for students attending CCA from those districts.

CCA received tuition payments from 494 districts throughout Pennsylvania during the audit period. Each resident district paid a separate tuition rate for regular and special education students, which is determined by the CSL and not based on CCA’s cost to educate students.

CCA receives tuition revenue for regular and special education students from resident school districts, which are responsible for paying tuition for their resident students who elect to attend a cyber charter school. The formula for the tuition rate calculations is established by the Charter School Law (CSL), which specifies separate funding formulas for regular and special education students; therefore, CCA bills school districts varying rates for regular and special education students based on the districts’ budgeted amounts and not based on the actual cost to educate a student at CCA.⁷⁹ A student’s designation as a regular or special education student is determined by how the student was classified by the resident district at the time of enrollment at CCA.⁸⁰ The amount of tuition received from a particular district by CCA is the district’s calculated tuition rate multiplied by the average daily membership (ADM) of students attending the cyber from that district.⁸¹

The following table summarizes total tuition billed for each fiscal year of the audit period, and the number of resident districts, along with the lowest, highest, and average tuition rates⁸² and total average daily membership for regular and special education students attending CCA:

⁷⁹ 24 P.S. § 17-1725-A, 24 P.S. § 25-2501(20), and 24 P.S. § 25-2509.5(k). Again, it is important to note that the special education funding formula is based on a provision dating back to the 1996-97 school year, which contributes to the complicated nature of the calculation.

⁸⁰ A student’s classification as a regular or special education student at the resident school district can be different than at a cyber charter school. The student is enrolled at the cyber charter based on the classification from the resident school district, however a parent/guardian or teacher may request an evaluation after the student has been attending the cyber charter school. *See* 24 P.S. § 17-1749-A(b)(8) and 22 Pa. Code § 711.23.

⁸¹ ADM is calculated by dividing the aggregate days membership for all children on the active rolls by the number of days the cyber charter school is in session. <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/financial-data/financial-data-elements.html#accordion-64c212361d-item-c3881a1542> (accessed December 17, 2024). Please note that ADM differs from enrollment totals which is based on the number of students enrolled at CCA as of October 1 of each year. Because CCA bills based on ADM, we used ADM in this section as opposed to enrollment for our analysis.

⁸² The average tuition rate was calculated by averaging all the regular and special education rates of each district that sent a student to CCA in that fiscal year.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA's Tuition Billings To All Resident School Districts							
Fiscal Year	Education Type	Resident Districts	Lowest Tuition Rates	Highest Tuition Rates	Average Tuition Rate	Average Daily Membership	Total Tuition Billed
2020-21	Regular	478	\$8,330	\$22,322	\$12,846	14,283.17	\$172,256,968
	Special	436	\$18,228	\$53,227	\$28,458	3,941.05	\$113,082,053
	Total					18,224.22	\$285,339,021
2021-22	Regular	483	\$7,376	\$23,799	\$13,196	15,513.08	\$190,684,074
	Special	452	\$12,044	\$57,422	\$29,723	5,048.56	\$151,104,484
	Total					20,561.64	\$341,788,558
2022-23	Regular	483	\$6,975	\$25,178	\$13,456	16,169.00	\$196,379,689
	Special	461	\$18,329	\$60,166	\$30,698	6,261.95	\$193,049,607
	Total					22,430.95	\$389,429,296

Source: Prepared by Auditor General staff using "ADM and Tuition Summary by District Report" provided by CCA management.

The above table demonstrates how student classification and ADMs drive overall revenue and how different tuition rates paid by resident districts creates a significant variation between districts paying the lowest and highest amounts to the same cyber school. Tuition revenue received from resident school districts has increased about 37 percent, while overall ADM increased by 23 percent from the 2020-21 fiscal year to the 2022-23 fiscal year. Additionally, special education ADM increased from 22 to 28 percent of the total ADM during that same time which also increased special education tuition totals from 40 percent to nearly 50 percent of total tuition revenue during the same time period.⁸³ As discussed earlier and shown in the table above, the special education rates for students are significantly higher than that of regular education rates.⁸⁴

⁸³ Our audit did not include procedures to determine if student classifications are correctly classified and/or what the prior status was from the resident school district because special education classifications have legal restrictions which limited our ability to audit.

⁸⁴ Act 55 of 2024, enacted July 11, 2024, and mostly effective immediately by adding the following section to the CSL, 24 P.S. § 17-1725.1-A (relating to Funding for cyber charter schools), effective January 1, 2025. Subsequent to our audit period, the legislature made a change to the special education funding formula in the CSL, which takes effect January 1, 2025; however, each district will still pay a separate special education tuition rate that is based on the lesser of the prior funding formula or it's special education expenditures and ADM for the prior school year. See legislative change noted in the report *Background*.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

During the audit period, CCA correctly billed the resident districts accurate tuition rates for regular and special education students.

Each school district is responsible for calculating its own regular and special education tuition rate as required by the CSL.⁸⁵ PDE developed the *Funding for Charter Schools – Calculation of Selected Expenditure Per Average Daily Membership form* (PDE-363) to assist school districts with performing the calculation; however, PDE does not ensure each district completes and submits the PDE-363 to PDE or to the cyber charter school, nor does it verify the accuracy of calculation.⁸⁶ According to CCA management, it bills the resident districts in 12 equal installments for tuition payments for students from that district that attend CCA. Management indicated that if the district submits the PDE-363 to either PDE or CCA it will use that rate to bill the district. If a rate is not available on PDE’s website or provided to CCA, it will attempt to contact the district to obtain a current PDE-363. If the district does not respond, then CCA will calculate the tuition rate itself using an outside vendor. According to management, the vendor calculates tuition rates based on the school district’s annual financial report, membership data, and budgets obtained from PDE.

As part of our testing, we reviewed tuition rates billed by CCA for both regular and special education during the audit period to determine if rates CCA billed agreed to rates published on PDE’s website for districts that submitted the PDE-363. We reviewed the ADM and Tuition Summary by District Report provided by CCA management, which lists the ADM numbers for regular and special education students from resident districts and final tuition payments from each resident district. The below table shows the number of districts with tuition rates published on PDE’s website from which students attended CCA.⁸⁷

⁸⁵ 24 P.S. §17-1725-A.

⁸⁶ In April 2017, a group of charter schools filed a petition in the Commonwealth Court challenging the guidelines. The charter schools alleged the Guidelines were inconsistent with the CSL because rates were based on the Annual Financial Report rather than budgeted amounts. The Commonwealth Court found that the Guidelines were inconsistent with the CSL. As a result of the court opinion PDE rescinded its 2012 guidelines in 2018. PDE currently does **not** require districts to annually file the PDE-363, but rather it accepts voluntary submissions and posts the rates for informational purposes if the district provides it with the rate. See *First Philadelphia Preparatory Charter Sch. et al. v. Pa. Dep’t of Educ. et al.*, No. 159 MD 2017 (Pa. Cmwlth., 2017) and *First Philadelphia*, 179 A.2d 128, 352 Ed. Law Rep. 749 (Pa. Cmwlth., 2018).

⁸⁷ While we used the rates published on PDE’s website to compare to tuition rates billed by CCA for regular and special education students, we did not obtain the actual PDE-363s filed with PDE or verify their accuracy as part of our review. The rates from PDE’s website are of undetermined reliability, as noted in *Appendix A*. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA Resident Districts with PDE-363 Rate on PDE Website		
Fiscal Year	Regular Education	Special Education
2020-21	409	370
2021-22	397	374
2022-23	369	353

Source: Prepared by Auditor General staff using the “ADM and Tuition Summary by District Report” provided by CCA management along with each district’s PDE-363 rates published on PDE’s website. The rates from PDE’s website are of undetermined reliability, as noted in Appendix A. However, the data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

We found almost all rates billed by CCA agreed with the district’s PDE-363 rates listed on PDE’s website. Of the 2,272 rates analyzed, we found that only 18 of the rates billed by CCA did not match the district’s PDE-363 rate posted on PDE’s website. For those 18 discrepancies, we found the district either submitted or revised the PDE-363 after the fiscal year ended and after CCA completed and submitted its reconciliation invoice to the district, which resulted in CCA receiving \$484,950 less in tuition payments for the audit period. CCA management indicated there is an opportunity to seek a resolution of the underpayment directly from the school district. Because of the lack of notification from PDE on updated rates, the slow process of the adjudication of administrative matters, and the low amounts that are likely to be recovered, CCA does not seek to try and obtain any additional payment from the school districts once the final reconciliation invoice was submitted to the districts.

We also compared the tuition rates billed by CCA when the district did not provide its tuition rate via a PDE-363 to PDE directly to the tuition rates billed by the other four cyber charters we concurrently audited. During our audit period, we noted 207 regular education tuition rates and 201 special education rates that were not posted on the PDE website but were determined either by receiving the rate directly from the district or calculated by CCA’s third-party vendor as shown in the following table:

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA Resident Districts With No PDE-363 Rates on PDE Website				
Fiscal Year	Regular Education		Special Education	
	Third-Party Vendor Calculation	Received from School District	Third-Party Vendor Calculation	Received from School District
2020-21	50	19	49	17
2021-22	64	22	63	15
2022-23	93	21	89	19

Source: Prepared by Auditor General staff using the “ADM and Tuition Summary by District Report” provided by CCA management and a list of School Districts that DID NOT provide a PDE-363 to PDE or CCA.

We found in each of the above instances that the tuition rates billed by CCA to districts that did not provide a PDE-363 were consistent with rates billed by the other four cyber charter schools that we audited, when PDE published rates were not available. As noted in the table, a majority of those tuition rates were calculated by CCA’s third-party vendor using data obtained from PDE. As discussed earlier, PDE does not require districts to complete the PDE-363. As the tables above show, more districts were not submitting the PDE-363 to CCA or PDE each year, which places the burden of either obtaining the rate directly from the district or utilizing a third-party vendor to calculate the rate for the cyber.

Subsequent to our audit period, the General Assembly passed legislation that requires districts to submit the per-student calculation for regular and special education students to PDE beginning November 1, 2024, and each year thereafter, to be posted on PDE’s website.⁸⁸ The legislative change should correct the problem we noted during the audit period of the PDE-363 not being provided to CCA or PDE. However, the impact of the change would need to be evaluated during future audits.

Based on our testing of tuition rates that CCA billed to districts for regular and special education during the audit period, we concluded that CCA billed using PDE’s posted rates, when available, and when not available, its process of trying to obtain rates directly from the school district or using a third-party vendor to perform the calculation was reasonable and consistent with the

⁸⁸ Act 55 of 2024, enacted July 11, 2024 and mostly effective immediately, added the following subsection to the CSL, in part: “24 P.S. § 17- 1725-A. [relating to funding for charter schools], (a) Funding for a charter school shall be provided in the following manner:***(7) Beginning November 1, 2024, and each year thereafter, each school district shall report the per-student amount to be paid and the component financial data used to calculate the per-student amount to be paid in clauses (2) and (3) and section 1725.1-A for the current school year in a manner and form prescribed by the Department. Any subsequent revision to the information reported under this clause shall be reported to the department within fifteen (15) days of the revision. The department shall post the information received under this clause within thirty (30) days of receipt in an electronic format on the department's publicly accessible Internet website.” (Emphasis added).

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

procedures used by the other concurrently audited cyber charter schools.⁸⁹ Again, it is important to note that the district completed PDE-363s contains self-reported information that is not verified by PDE.

In summary, with the increased enrollment partly due to the pandemic, CCA’s revenue increased, which also led to an increase in expenditures and fund balance amounts. We discuss expenditures in *Finding 2* of CCA’s report. We also discuss CCA’s financial position and the increased fund balance resulting from the excess of revenues over expenditures, as well as spending on FSCs, in *Finding 3* of CCA’s report.

Finding 2 – CCA’s expenditures increased \$302.8 million, or 219 percent, from the 2019-20 fiscal year to the 2022-23 fiscal year due to increases in enrollment and capital expenditures.

As discussed in the *Background* section of this audit report, PDE requires school districts, as well as cyber charters, to classify its expenditures into five categories including: 1) instruction, 2) support services, 3) non-instructional support services, 4) facilities, acquisition, construction, and improvement services (capital outlays), and 5) other expenditures and financing uses.

The table below shows the expenditures by category for CCA for fiscal years ended June 30, 2020, 2021, 2022, and 2023:

CCA Expenditures by Category				
Fiscal Year Ended June 30	2020	2021	2022	2023
Instruction	\$54,714,114	\$113,792,885	\$155,773,232	\$200,818,179
Support Services	\$54,174,684	\$68,416,979	\$88,503,518	\$124,387,306
Non-instructional	\$2,459,981	\$2,959,436	\$4,282,014	\$6,308,080
Other Exp. and Financing Uses	\$199	\$759	\$1,630,319	\$2,228,459
Total General Fund Exp.	\$111,348,978	\$185,170,059	\$250,189,083	\$333,742,024
Total Capital Projects Fund Exp.^a	\$26,866,951	\$84,218,396	\$58,397,972	\$107,290,265
Total General and Capital Funds Expenditures	\$138,215,929	\$269,388,455	\$308,587,055	\$441,032,289

^a The total Capital Projects Fund Exp. represents facilities, acquisition and improvement services costs.

⁸⁹ As part of our review, we compared the tuition rates that CCA’s third-party vendor calculated when a PDE-363 was not available with the tuition rates calculated by the third-party vendors of the other four cyber charter schools included in this report. We did not review the calculations of the tuition rates from the third-party vendors for accuracy, but rather we used those calculations as a comparison to determine if the rates were reasonable. Data from the tuition rates calculated by the third-party vendors is of undetermined reliability, as noted in *Appendix A*. However, the data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Source: Prepared by Department of the Auditor General staff from the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund from CCA's Audited Financial Statements for the fiscal years ended June 30, 2020, 2021, 2022, and 2023.

As discussed in *Finding 1* for CCA in this audit report, CCA's enrollment grew from 9,294 in the 2019-20 fiscal year to 20,358 in the 2022-23 fiscal year, resulting in a large increase of tuition revenue, as well as expenditures to support the additional students. The table above shows that the category of Instruction accounts for a majority of the increased expenditures in each of the fiscal years. Instruction consists of mainly salaries and benefits of teaching staff and had an increase of 267 percent from the 2019-20 fiscal year to the 2022-23 fiscal year. CCA management indicated the Board and administration recognized the rapid enrollment increases and approved, through the annual budget, the hiring of additional teaching staff to maintain adequate student-to-teacher ratios for different program areas.

CCA's category of support services consist mostly of salaries and benefits of staff who provide administrative functions, as well as certain other services to students.⁹⁰ We found that support services increased approximately 130 percent between the 2019-20 fiscal year to the 2022-23 fiscal year. CCA management indicated it revised the structure of administration to provide additional instructional leadership support for teachers and hired several experienced education leaders to oversee the instructional programs within the school. Additionally, the increased enrollment resulted in the need for improvements to CCA's curriculum and technology infrastructure.

CCA's total capital projects fund expenditures increased by approximately \$80 million, or 299 percent, from the 2019-20 fiscal year to the 2022-23 fiscal year. Most of this increase was for building acquisition and renovations of CCA's FSCs. CCA's management indicated that it plans to operate 26 FSCs for in-person support for families and students by the 2025-26 fiscal year, and the Board's goal is to have a FSC within 45 minutes of any family living in the communities most served by the school.⁹¹ CCA spent \$196 million on building acquisitions and renovations during the audit period,⁹² and CCA management indicated it plans to have purchased at least six

⁹⁰ CCA's services provided as part of support services include medical or nursing services, speech, occupational, physical, and mental health therapies for students. Support services also include staff and curriculum development, fiscal services such as accounting, community relations, legal, and technology support.

⁹¹ The PDE Basic Education Circular (BEC), last updated July 11, 2013, regarding *Cyber Charter School Operations and Proper Use of Physical Facilities*, furthers an operating cyber charter school, such as CCA, to provide certain supports for cyber students and their families and the CSL does not provide for any express restrictions on such supports within the intent of the CSL. See <https://www.pa.gov/en/agencies/education/resources/policies-acts-and-laws/basic-education-circulars-beccs/purdons-statutes/cyber-charter-school-operations-and-proper-use-of-physical-facilities.html> (accessed March 20, 2024).

⁹² This total cost includes, but is not limited to, acquisition and construction costs, architecture services, furniture, and technology. The acquisition/renovation expenditures for each of the 21 buildings incurred during the audit period can be found in *Appendix CCA*.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

other building by the 2025-26 fiscal year. Additionally, capital project funds are used to develop and maintain CCA's proprietary Relationship Management System (RMS).⁹³ We discuss the capital projects fund and building purchase/renovation in more detail in CCA *Finding 3* of this report.

In addition to expenditures increasing due to increased enrollment and capital projects, we also found the Consumer Price Index,⁹⁴ which measures inflation, increased 18.4 percent from the 2019-20 fiscal year to the 2022-23 fiscal year, which also contributed to the increase in expenditures.

Our analysis of certain expenditures found that, while CCA can determine how it spends its funds and while permissible, certain expenditures may be considered uncommon or unique for a cyber charter public school.

Pennsylvania's CSL provides cyber charter schools with a significant degree of autonomy in their operations, including the management of finances and allocation of funds, within the specific terms of their charter agreements and other applicable laws and internal procedures. As part of our review to identify and analyze expenditures, we obtained CCA's expenditure data, which included vendors and dollar amounts for all transactions for each of the three years within our audit period. We also obtained responses and justifications regarding certain transactions from CCA management, as well as reviewed supporting detail including invoices for certain expenditures.

Our review noted certain transactions and transaction types that, while permissible and within CCA's autonomy in financial management, may be considered uncommon or unique for a cyber charter school and public school entity as discussed in detail in the sections that follow:

Expenditure Categories	Amount
Employee Bonuses	\$22,002,250
Fuel Stipends	\$2,358,600
Vehicle Fleet	\$1,333,315
Family Funfest Event	\$70,280
Total	\$25,764,445

Source: Prepared by Department of the Auditor General Staff from expenditure data provided by CCA management.

⁹³ The RMS is CCA's custom and proprietary instructional platform that all learners, their parents and/or caretakers, and CCA instructional staff utilize for instruction and learning.

⁹⁴ Calculation performed using U.S. Bureau of Labor Statistics CPI Inflation Calculator.
https://www.bls.gov/data/inflation_calculator.htm

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Employee Bonuses – CCA paid approximately \$22 million in bonuses to all CCA staff and mentors during the audit period including \$9.5 million in each of the 2021-22 and 2022-23 fiscal years. All CCA staff that met hire/separation date requirements and were in good standing received the following bonus payments:

2020-21 – \$3,000 (Fall/Winter \$1,500; Spring \$1,500)

2021-22 – \$7,000 (Fall/Winter \$2,000; Spring \$5,000)

2022-23 – \$5,500 (Fall/Winter \$2,500; Spring \$3,000)

CCA management indicated that the bonuses were paid based on a recommendation by the administration and approved by the CCA Board of Trustees due to the staffs' and mentors' exemplary service during the period of rapid student enrollment, along with a high rate of return of eligible students. The school administration believed at that time that these factors were indicative of the staff's commitment and delivery on the Board's established objectives.

Fuel Stipends – CCA provided \$2.4 million for fuel stipends for all employees that work full time in a FSC during the 2021-22 and 2022-23 fiscal years. CCA management indicated that after returning to in-person work, the CCA Board of Trustees implemented a temporary fuel stipend of \$200 per pay (\$400 per month) for any staff member working full time from an FSC. CCA stated that it implemented a stipend in lieu of a salary or hourly pay adjustment to ensure equity to staff due to heightened gasoline prices recognizing that rising gasoline and other prices would negatively impact staff returning to in-person work at the FSC. Management indicated that the stipend is reviewed annually and is currently still in effect. However, CCA did not provide any policy or limitations to the stipends, such as limits based on the distance the employee is from the FSC. It appears the stipend was provided even if employees were commuting a short distance during the audit period.

Vehicle Fleet – During the audit period, CCA purchased 40 vehicles for approximately \$1.3 million, or about \$33,300 per vehicle. CCA management also provided documentation that it had a total of 76 vehicles in its fleet as of May 2024. Fleet vehicles were not assigned based on departments, other than vehicles assigned to the CEO and two Executive Vice Presidents according to their employment contracts. Management stated that all CCA employees may use fleet vehicles for work-related purposes in accordance with CCA's fleet vehicle use guidelines and procedures and due to CCA's enrollment and staff growth, and the expansion of FSCs located across the state, that the number of vehicles in the fleet has grown during the audit period.

Family Fun Fest Event – As part of our review, we found several transactions totaling \$70,280 in July 2022, related to two Family Fun Fest events in Philadelphia prior to a Philadelphia Phillies baseball game. CCA rented out a portion of the Xfinity Live venue near the ballpark and provided students and families with food and non-alcoholic beverages. The Family Fun Fests are

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

held to build a sense of school community. CCA management indicated there is no charge for families to attend the Family Fun Fests. Management also stated that due to the increased costs of holding any event in the urban areas of Pennsylvania and the number of attendees, the cost for this event is significantly higher than other field trips; therefore, CCA discontinued this event and a similar event held in Pittsburgh.

While we recognize CCA is required to provide students with social field trips and extracurricular activities, we believe that the cost of student events should be reasonable and that CCA's decision not to hold those events in the future appears to be justified and rational. For example, we discuss certain enrichment activities below where we found expenses to be more reasonable.

In addition to the above expenditure categories, we also inquired and reviewed expenditure categories related to the following topics that we found to be reasonable for the purposes of carrying out CCA's objectives of educating its students:

- *Contracted Services* – CCA management indicated it provides contracted student support services which generally fall into two general categories: enrollment/technology support and special education related services. For enrollment support, technology support, and support with annual curriculum materials, CCA staff meet to track and monitor deliverables according to the contract terms.

CCA also contracts with numerous related service provider companies and Intermediate Units throughout Pennsylvania to serve the various needs of the learners with Individualized Education Plans (IEP) and 504 Plans.⁹⁵ CCA's service providers performed contracted services, including initial evaluations and re-evaluations, record reviews, IEP meetings, behavior services, counseling services, occupational and physical therapy services, speech and language services, orientation and mobility services, vision and audiology supports, instructional aides, social skills, transitional skills, reading supports, assistive technology devices and supports, and contracted transportation. The necessary services and supports are identified through the evaluation process and documented in the learner's IEP or 504 Plan. Then, CCA staff assign available therapists from contracted vendors to provide the identified services to support the student.

- *Professional Development* – Travel expenses, including airline tickets, car rentals, registration fees, hotels, and meals, were purchased for staff to participate in meetings and professional development activities. During the audit period, various staff attended approximately ten out-of-state trainings or events.

⁹⁵ <https://www.understood.org/en/articles/the-difference-between-ieps-and-504-plans> (accessed August 23, 2024).

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

- *Multi-Purpose Event Space* – CCA rented rooms and event space at hotels for various reasons, including state testing, student field trips and activities, student recognition ceremonies (e.g., National Honor Society induction), staff accommodations for travel for school-related business, staff professional development meetings, and other similar functions.
- *Legal Services* – CCA used legal services for general legal advice (school solicitor), employment matters, special education matters, real estate matters, and litigation.
- *Enrichment Activities* – CCA management stated it offers various educational and social field trips and extracurricular activities for students, families, and staff throughout the year as required by the Public School Code (PSC), the CSL, and the school’s charter. These activities build and maintain social and emotional well-being and foster and strengthen a sense of school community that improves student engagement in academics. Management indicated that these include trips to museums and social attractions (e.g., Crayola Factory, theaters, etc.), with a proportionally small number of sporting events across the state, mostly through minor league teams, and no school-sponsored events at amusement parks during the audit period. Many of these events require a co-pay from the family based on its field trip payment program guidelines. Other than the Family Fun Fest expenditures questioned above, the rationale and transactions for these enrichment activities appeared reasonable.

In addition to the above expenditure categories, we also reviewed expenditures for advertising and lobbying, as these expenditures are often publicly scrutinized because they are partly paid for through taxpayer dollars mainly from district tuition payments and can be viewed as diverting resources from providing an education to students.⁹⁶ We recognize that advertising is a necessary part of the business model to attract students to a cyber charter school.

⁹⁶ Act 55 of 2024, enacted July 11, 2024 and effective immediately (with the exception of some unrelated sections) by amending the PSC to add 24 P.S. § 1-134 (relating to Advertising and sponsorships) to require that “[a] paid media advertisement by a public school entity [including a cyber charter school] or on behalf of a public school entity that refers to the cost of tuition, technology, transportation or other expenses shall not advertise those expenses as free, and any reference to tuition, technology, transportation or other expenses must indicate that the cost is covered by taxpayer dollars” with the term “Paid media advertisement” being defined as “[a] television, radio, newspaper, magazine or movie theater advertisement, billboard, bus poster or Internet-based or other commercial method that may promote enrollment in a public school entity.” (Emphases added.) See 24 P.S. § 1–134(a), (c). In addition, Act 55 included 24 P.S. § 1-134(b) which states in part: “No later than August 1, 2025, each public school entity shall report to the [PDE]...the entity's total expenditures for paid media advertisements and sponsorships of public events for the 2024–2025 school year. The department shall compile the results of the reports and make the results available on the [PDE’s]... publicly accessible Internet website by December 1, 2025” where the term “Public event” is defined, in part, as: “[a]n activity, event or gathering that members of the public may attend, has been publicly announced or publicized in advance and for which an admission fee or cost may be required. The term

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

We found CCA spent approximately \$21.7 million on advertising during the audit period, including \$8.9 million in the 2022-23 fiscal year, which was significantly higher than any of the other four cyber charter schools we audited as part of this report. CCA utilizes media including radio, television, streaming services and social media. CCA also advertises with billboards, vehicle wraps, and on busses and transit shelters throughout the state. CCA also spent a total of \$646,641 on lobbying expenditures, in which it engaged the services of lobbying professionals for general charter school matters. While advertising and lobbying are common and permissible expenditures for cyber charter schools, CCA should carefully consider the nature and amounts of these expenditures.

As discussed in *CCA Finding 1* and *CCA Finding 3*, the revenues and fund balance of CCA increased significantly from the 2019-20 fiscal year to the 2022-23 fiscal year. When there are increased revenues and fund balances, there is the potential for wasteful and/or discretionary spending of taxpayer dollars that could go beyond the intent of the CSL. While CCA has the flexibility to determine how to use its funds, it must ensure the responsible and transparent use of public funds. By exercising discretion and limiting spending in areas that may be viewed as inappropriate or unnecessary under the intent and purposes of the CSL, CCA can strengthen public trust and optimize resource allocations.

Finding 3 – CCA’s General Fund and Capital Projects Fund balance increased 124 percent from \$95.3 million as of July 1, 2020, to \$213.4 million as of June 30, 2023. CCA also expended approximately \$196 million for building acquisition/construction during the audit period.

CCA’s policy and procedures indicate that management allocates funds between the General Fund and the Capital Projects Fund during the annual independent audit and the Board of Trustees annually approves the fund balance classifications as part of its approval of the audit.⁹⁷ CCA’s Total Governmental Fund Balances increased during the audit period mainly due to the General Fund surplus of approximately \$360.4 million. CCA also expended approximately \$250 million from its Capital Projects Fund during the audit period, consisting of approximately \$196 million for building acquisition and construction, with most of the remainder used for developing and maintaining its Relationship Management System (RMS).⁹⁸ The Total Governmental Fund Balance increased from approximately \$95.3 million at the beginning of the 2020-21 fiscal year

includes concerts, performances, sporting events, fairs, festivals, parades, performances and other exhibitions...”
See Act 55, 2024-2025 PSC Omnibus Amendments, specifically 24 P.S. § 1-134.

⁹⁷ Commonwealth Charter Academy, Board of Trustees Policy, Series 5:00 Financial Management, 5:20 Fund Balance.

⁹⁸ The RMS is CCA’s custom and proprietary instructional platform that all learners, their parents and/or caretakers, and CCA instructional staff utilize for instruction and learning.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

to \$213.4 million at the end of the 2022-23 fiscal year, or a 124 percent increase as shown in the table below.

CCA Revenues, Expenditures, Surplus/(Deficit), and Total Governmental Fund Balances				
Fiscal Year	2020-21	2021-22	2022-23	Total
Beginning Fund Balance	\$95,301,078	\$143,503,213	\$231,866,351	\$95,301,078
Revenue – General Fund	\$315,639,481	\$397,365,446	\$416,485,191	\$1,129,490,118
Expenditures – General Fund	\$185,170,059	\$250,189,083	\$333,742,024	\$769,101,166
General Fund Surplus	\$130,469,422	\$147,176,363	\$82,743,167	\$360,388,952
Add: Other Financing Sources (Uses)	\$1,875,000	\$76,206	\$1,438,410	\$3,389,616
Add: Revenue – Capital Projects	\$76,109	\$106,541	\$4,612,054	\$4,794,704
Less: Expenditures – Capital Projects	\$84,218,396	\$58,397,972	\$107,290,265	\$249,906,633
Less: Restatement of Capital Fund Balance ^a	\$0	\$598,000	\$0	\$598,000
Ending Total Governmental Funds Balance^b	\$143,503,213	\$231,866,351	\$213,369,717	\$213,369,717

^a During the fiscal year ended June 30, 2023, CCA adopted a new accounting guidance, GASB Statement No. 96, retroactive to July 1, 2022, to address the accounting for software subscription services, which resulted in the ending fund balance for fiscal year end 2021-22 being revised by (\$598,000).

^b CCA utilizes two major funds – The General Fund and the Capital Projects Fund. The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The Capital Projects Fund is a major fund used by CCA exclusively to account for and report financial resources that are restricted, committed or assigned for capital outlays related to the acquisition or construction of capital facilities, **as well as development of its Relationship Management System.**

Source: Prepared by Department of the Auditor General staff from the Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund from CCA's Audited Financial Statements for the fiscal years ended June 30, 2021, 2022, and 2023.

As discussed in the *Background* section of this audit report, the fund balance is generally the result of taking the fund balance at the beginning of the fiscal year and adding the revenues less expenditures. If the annual revenues exceed annual expenditures, the school has an ending surplus. Conversely, if annual revenues are less than annual expenditures, the school will have an ending deficit. A surplus would add to the general fund's balance and a deficit subtracts from the balance. CCA's Total Governmental Fund balance increase was primarily due to its enrollment doubling from the 2019-20 fiscal year to the 2022-23 fiscal year which significantly increased tuition revenue from resident districts. CCA also received \$65.7 million in federal stimulus relief funds during the audit period.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

The *Background* section of this audit report also explains that Government accounting requires fund balances to be classified as non-spendable, restricted, committed, assigned and unassigned.⁹⁹ Recommendations as to the classifications of fund balance and the assignment of fund balance is the responsibility of the CEO or designee. CCA's non-spendable, assigned, restricted, and unassigned fund balance amounts are shown in the table below for the audit period:

Total Governmental Fund Balance as of FYE June 30			
General Fund/Capital Projects – Fund Balances	2021	2022	2023
Nonspendable:			
Prepaid Expenditures – General Fund	\$18,793,379	\$18,426,532	\$24,324,964
Prepaid Expenditures – Capital Fund	\$212,848	\$1,597,454	\$1,206,529
Assigned – General Fund:			
Technology Investments	\$2,000,000	\$5,000,000	\$2,207,558
Learning Management System/Curriculum Development	\$1,000,000	\$3,500,000	\$1,136,723
Future Health Insurance Claims	\$1,000,000	\$1,500,000	\$894,798
Total Assigned	\$4,000,000	\$10,000,000	\$4,239,079
Restricted – Capital Projects	\$119,888,822	\$201,904,360	\$182,945,929
Unassigned	\$608,164	\$536,005	\$653,216
Total Non-Spendable, Restricted, Assigned, and Unassigned Fund Balance	\$143,503,213	\$232,464,351	\$213,369,717

Source: Developed by Department of the Auditor General Staff from information provided by CCA and the Audited Financial Statements, Balance Sheet-Governmental Funds for the 2020-21, 2021-22, and 2022-23 fiscal year.

The Total Governmental Fund balance was \$213.4 million as of June 30, 2023, which includes the General Fund and the Capital Projects Fund, as shown in the table above. During the audit period, unrestricted fund balance items, including assigned and unassigned, totaled between 2.2 and 4.5 percent of the overall fund balance. Assigned funds are amounts intended to be used for a specific purpose that is approved by a committee or individual authorized by the cyber charter school. Assigned funds can be changed annually by school management and the Board based on

⁹⁹ Governmental Accounting Standards Series, Statement N. 54 of the Governmental Accounting Standards Board, Fund Balance Reporting and Governmental Fund Type Definitions, February 2009. CCA did not commit any funds during our audit period.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

the needs of the school without formal Board action. During the audit period, CCA management assigned funds for technology investments and maintaining its self-funded health insurance program.

Over the course of the audit period, CCA transferred \$354.3 million from the General Fund to the Capital Projects Fund.¹⁰⁰ Management indicated that monies transferred were for the purposes of ensuring the school meets its goals established by the Board, which includes the establishment and maintenance of FSCs, and developing and maintaining of its proprietary RMS. During the audit period, the Capital Projects Fund balance ranged between 83.5 to 86.9 percent of the overall fund balance. Due to the Capital Projects Fund being a majority of CCA's fund balance total, we also analyzed capital expenditures from the Capital Projects Fund.

CCA spent approximately \$250 million during the audit period on expenditures from its Capital Projects Fund, including approximately \$196 million related to acquiring and renovating buildings.

In addition to the increased fund balance, CCA had expenditures of approximately \$250 million from its Capital Projects Fund account during the audit period. CCA invested in acquiring and renovating buildings, software development, and purchasing furniture and equipment for the buildings which increased the amount of its assets. CCA provided documentation that a significant amount of those capital expenditures, or approximately \$196 million, was spent for acquisition and renovation costs for 21 buildings.¹⁰¹ CCA management indicated it purchases and renovates buildings with cash to avoid debt service and financing for its FSCs.

Additionally, CCA also had approximately \$183 million in its Capital Projects Fund as of June 30, 2023. CCA management indicated that the Capital Projects Fund balance will be used for continued investments in the FSCs, and it had twelve active construction projects ongoing during the 2023-24 fiscal year. CCA indicated the Board and management continue to explore suitable locations for additional FSCs and will make fund transfers in accordance with CCA's cash-only and no debt approach. Management stated it is the Board's goal to establish and maintain a FSC within a 45-minute driving distance of concentrated areas of enrollment.

As discussed in *CCA Finding 1*, CCA's main revenue source comes from tuition paid by school districts, and CCA charges districts varying rates for regular and special education students.

¹⁰⁰ CCA's Administrative Guidelines Fund Balance, updated September 20, 2023, notes that funds that have been transferred from the General Fund to the Capital Projects Fund are not allowed to be transferred out of the Capital Projects Fund at any time or for any purpose.

¹⁰¹ The expenditures include costs for building and land purchases, architecture and engineering design, demolition, construction and renovation, legal fees, insurance, furniture, technology, project management, and certain miscellaneous fees. *See Appendix CCA* for a breakdown of the costs by building during the audit period and map of CCA's properties throughout the state.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Since enrollment drives tuition payments, and therefore revenue, increases in enrollment can result in increased surpluses of revenues over expenditures if expenditures also do not increase proportionally, resulting in an increased fund balance. This is particularly important since tuition rates are based on a funding formula tied to the resident school district and not CCA's actual cost to educate students. Due to the current CSL funding formula, as well as the federal pandemic relief funds, CCA accrued a \$360.4 million General Fund surplus during the audit period, which allowed CCA to use funds from its Capital Projects Fund, to mainly acquire and/or renovate 21 properties.

It is important to note that a distinguishing factor between brick-and-mortar charter schools and cyber charter schools is that cybers must provide all curriculum and instruction without the need for students to be present at a physical facility.¹⁰² While cybers are allowed to lease or own buildings, facility usage is limited by the CSL and PDE guidance.¹⁰³ For example, cybers are required to inform PDE of their physical locations and plans for use of those locations,¹⁰⁴ and PDE guidance limits facility usage to standardized testing, tutoring, and supplemental services related to special education, such as speech therapy, physical therapy and occupational therapy.¹⁰⁵

While CCA management indicated it informed PDE of its physical facility usage as required, it appears that CCA's acquisitions and/or renovations of 21 buildings during the audit period and rapid expansion throughout the state is unusual and outside of the normal operating model of a cyber charter school, including the other cybers we audited in this report. CCA management acknowledged that its philosophy of purchasing buildings for use as FCS's is unique for a cyber charter school but believes the FSCs serve an important purpose in providing supports to its students. CCA management stated students are not required to be present at a FSC to engage in the educational program. The FSCs support the state-wide school community; provide locations for in-person support for families and learners to supplement online learning; provide locations for

¹⁰² See 24 P.S. § 17-1741-A(a)(2) and 24 P.S. §17-1703-A. See also PDE BEC, *Cyber Charter School Operations and Proper Use of Physical Facilities*, last updated July 11, 2013. Please note that according to PDE, a cyber charter school must use the internet or other electronic technology "without a school-established requirement that students be present at a supervised physical facility designated by the school, except on a very limited basis, such as for standardized test." Because the CSL has little statutory language to help clarify the issue, PDE issued the BEC and a Q&A guidance document in mid-2013.

¹⁰³ Ibid.

¹⁰⁴ See 24 P.S. § 17-1743-A(h) which provides "Offices and facilities.--A cyber charter school shall maintain an administrative office within this Commonwealth where all student records shall be maintained at all times and shall provide the department with the addresses of all offices and facilities of the cyber charter school, the ownership thereof and any lease arrangements. The administrative office of the cyber charter school shall be considered as the principal place of business for service of process for any action brought against the cyber charter school or cyber charter school staff members. The cyber charter school shall notify the department of any changes in this information within ten days of the change."

¹⁰⁵ [Cyber Charter School Operations and Proper Use of Physical Facilities | Department of Education | Commonwealth of Pennsylvania](#) (accessed March 20, 2024).

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

field trips, clubs, career development, state testing, and other in-person activities; and serve as the primary work locations for teachers and staff.

Building acquisitions and operations of this magnitude raise concerns about the appropriateness of these expenditures and whether they align with the online platform unique to cyber charter schools, and ultimately, the intent of the CSL to provide online learning opportunities accessible to all students throughout Pennsylvania regardless of their geographic location. Additionally, maintaining a large number of buildings creates additional costs associated with holding and operating those buildings that could be considered an inefficient use of public education dollars and taxpayer money that does not appear to align with the intention of the CSL. Therefore, we raise concerns about the necessity and reasonableness of CCA's facilities strategy as those dollars could be allocated to improving online educational opportunities and technological advancements rather than increased overhead and costs associated with physical facilities.

CCA's unrestricted General Fund balance is approximately eleven times less than the recommended amount.

The CSL does not restrict the fund balance amounts that cyber charter schools can accumulate, as described in the *Background* section of this audit report. The total governmental fund balance of \$213.4 million as of June 30, 2023, is roughly 64 percent of the cyber charter's General Fund expenditures for that same fiscal year. As shown in the chart in the first section of this finding, between 95 and 98 percent of CCA's fund balance is either non-spendable or restricted for capital projects. The Government Finance Officers Association¹⁰⁶ recommends having an unrestricted fund balance at a minimum of two months of expenditures or roughly equal to 17 percent of expenditures, or \$56.7 million, based on general fund expenditures for the fiscal year ended June 30, 2023.¹⁰⁷ As discussed and shown in the sections above, CCA transfers a majority of its General Fund surplus to the Capital Projects Fund. CCA only has about \$4.9 million in its unrestricted General Fund balance, which includes assigned and unassigned balances, which is approximately eleven times less than the recommended amount. CCA's policies for fund balance state there is no minimum fund balance requirement.¹⁰⁸ It is essential that cyber charters maintain an adequate unrestricted General Fund balance in case of revenue shortfalls or unanticipated expenditures.¹⁰⁹

¹⁰⁶ The GFOA is a professional association representing public finance officials throughout the United States and Canada. Its mission is to advance excellence in public finance through best practices, professional development, resources, and advocacy.

¹⁰⁷ <https://www.gfoa.org/materials/fund-balance-guidelines-for-the-general-fund> (accessed May 9, 2024). The unrestricted fund balance includes committed, assigned, and unassigned fund balances.

¹⁰⁸ Commonwealth Charter Academy, Board of Trustees Policy, Series 5:00 Financial Management, 5:20 Fund Balance.

¹⁰⁹ Act 55 of 2024, enacted July 11, 2024, and effective immediately (with the exception of some unrelated sections) added this definition to the CSL: “[c]harter school entity’ shall mean a charter school, regional charter school, cyber

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA management indicated that initially the need to maintain adequate fund balances was driven primarily by two factors, which included: 1) the inability to obtain financing caused by the failure of the PDE to actively renew the charter, and 2) ensuring the financial stability of the school during and after the termination of its third-party management agreement. Management additionally responded that as the school has matured, the philosophy has been to ensure fund balances are maintained for FSC acquisition, construction, and renovation, and RMS and course development without the need to incur additional costs due to financing. All fund balances are directly tied to anticipated/approved agreements for those purposes.

Overall Conclusion

In summary, our review found that CCA's revenues, expenditures, and financial position, including its fund balances, increased significantly from the 2019-20 to the 2022-23 fiscal years mainly due to increased enrollment resulting, in part, from the COVID-19 pandemic. CCA billed resident school districts varying rates for regular and special education students pursuant to the CSL's funding formula during our audit period, which is based on the resident district's budgeted amounts and not the actual cost to educate a student at CCA.

When there is an increase in revenues and fund balances, there is the potential for wasteful and/or discretionary spending of taxpayer dollars that could go beyond the intent of the CSL. In *CCA Findings 2 and 3*, we discuss uncommon or unique spending, especially the FSC's acquisition, construction, and renovation costs, given that CCA is a cyber charter school and public school entity funded primarily by taxpayer dollars received through tuition payments from resident school districts, which includes local tax revenues derived in part from property taxes. Furthermore, we raise concerns about the propriety of these expenditures when assessed against the intent and purpose of the CSL and raise the possible need to revise the more than 10-year-old PDE BEC pertaining to cyber facilities by further clarifying the appropriate use of taxpayer monies for student and family supports, such as FSCs. It is vital to note that our Department is providing recommendations to PDE because of its dual role of being the sole authorizer of cyber charters schools under the CSL and its responsibilities for updating its BECs, including the BEC pertaining to cyber facilities.

Additionally, while it is reasonable for the school to maintain reserves, the size of reserves being accumulated and the acquisition/renovation of numerous properties highlight the need for revisions to the CSL's flawed funding formula, which has been an ongoing concern in that it allows cybers to accrue large fund balances, which ultimately provides discretionary monies that may not have been available if the funding formula was based on actual costs.

charter school or multiple charter school organization." See Act 55, 2024-2025 Omnibus Education Amendments, specifically 24 P.S. § 17-1703-A.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Recommendations

We recommend that CCA should:

1. Notify PDE if districts do not timely file their per-student calculations for regular and special education students as required by Act 55 of 2024, to reduce the cyber's need to calculate the tuition rates on its own.
2. Work with PDE and the General Assembly to enact legislation that implements a fair and equitable tuition rate for regular and special education students that attend a cyber charter school taking into account the special education changes under Act 55 amendments.
3. Ensure that all expenditures are carefully considered and are consistent with its mission to educate students in accordance with the legislative intent of the CSL and determine whether expenditures related to Family Service Center acquisitions/renovations, employee bonuses, fuel stipends, vehicle fleet, and certain field trips are appropriate, necessary, and are the best use of taxpayer and public education dollars.
4. Assign or commit fund balance amounts in ways that are beneficial to enhancing the educational mission of the cyber charter school, including maintaining the minimum recommended amount of unrestricted General Fund balances.

We further recommend that PDE should:

1. Determine if CCA's acquisition/renovation of buildings throughout the state is consistent with its guidance regarding building usage and aligns with the CSL and consider the possible need to revise its 2013 BEC pertaining to cyber facilities by further clarifying the appropriate use of taxpayer monies for student and family supports, such as FSCs.
2. Timely conduct its charter renewal process prior to the end of CCA's active charter to ensure that renewals are executed before the active charter expires.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Appendix CCA

Commonwealth Charter Academy (CCA) Total Cost of Building Acquisition, Construction/Renovation, and Other Related Costs and Map of Property Locations Across Pennsylvania

CCA spent approximately \$196 million on building acquisitions and renovations during the audit period from its Capital Projects Fund. CCA's Board goal is to have a Family Service Center within 45 minutes of any family living in the communities most served by the school. We discuss the building acquisitions and renovations¹¹⁰ in more detail in *CCA Findings 2 and 3* of this report. As shown in the table below, CCA purchased and/or renovated 21 buildings during the audit period and incurred costs including, but not limited to, acquisition and construction costs, architecture services, furniture, technology, and miscellaneous costs.¹¹¹

Total Acquisition and Renovation Costs for Fiscal Years Ended June 30, 2021, 2022, and 2023							
Locations	Construction Costs	Acquisition Costs	Architecture Services	Furniture Costs	Technology Costs	Misc.	Total
Allentown ^a	\$86,664	\$0	\$0	\$110,384	\$2,486	\$0	\$199,533
Andreas	\$64,895	\$0	\$2,783	\$0	\$31,014	\$150	\$98,841
Blue Bell	\$3,275	\$5,250,000	\$306,445	\$4,172	\$0	\$0	\$5,563,893
Capital Campus - Harrisburg	\$620,169	\$0	\$13,624	\$81,983	\$1,224,902	\$0	\$1,940,677
Carlisle	\$829,320	\$2,402,117	\$431,255	\$0	\$241,632	\$218,491	\$4,122,814
Cranberry	\$7,632,764	\$5,000,000	\$455,462	\$1,001,746	\$573,851	\$11,276	\$14,675,099
Dickson City	\$17,223	\$0	\$12,178	\$0	\$50,411	\$0	\$79,811
Erie	\$7,598,346	\$613,517	\$568,279	\$4,172	\$378,749	\$19,728	\$9,182,792

¹¹⁰ The costs incurred for these buildings were only for the audit period and did not include any acquisition and/or renovation costs that would have been incurred prior to or subsequent to our audit period of July 1, 2020, through June 30, 2023. CCA management indicated that the Harrisburg Data Center building, which is included on the map presented in this Appendix, was purchased **after** the audit period ended; therefore, there were no acquisition or construction costs associated with that building during the audit period.

¹¹¹ Miscellaneous costs include legal fees, zoning fees, insurance, project manager costs, bid document costs, and wire fees.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Total Acquisition and Renovation Costs for Fiscal Years Ended June 30, 2021, 2022, and 2023							
Locations	Construction Costs	Acquisition Costs	Architecture Services	Furniture Costs	Technology Costs	Misc.	Total
Johnstown	\$8,029,458	\$73,306	\$292,463	\$554,569	\$558,519	\$0	\$9,508,313
Malvern	\$19,322,570	\$15,017,345	\$1,119,909	\$2,181,230	\$13,346,954	\$16	\$50,988,024
Mansfield	\$0	\$1,495,000	\$8,336	\$0	\$0	\$0	\$1,503,336
Monongahela	\$1,102,069	\$525,000	\$383,211	\$4,172	\$0	\$26,366	\$2,040,818
Montage	\$5,411	\$17,788,381	\$343,934	\$281,425	\$22,419	\$0	\$18,441,569
Mount Pocono	\$0	\$3,200,000	\$428,282	\$4,172	\$0	\$4,934	\$3,637,389
Shippensburg	\$137,263	\$2,375,000	\$659,627	\$0	\$0	\$615,371	\$3,787,261
State College	\$1,747,197	\$1,500,000	\$506,929	\$4,172	\$228,294	\$13,677	\$4,000,270
Waterfront Techworks, Pittsburgh	\$5,453,737	\$30,481,116	\$87,953	\$1,220,236	\$244,417	\$3,003	\$37,490,462
Wilkes-Barre ^a	\$1,141,467	\$0	\$13,838	\$511,216	\$360,563	\$0	\$2,027,083
Williamsport - Purchase	\$268,820	\$14,400,000	\$129,015	\$368,873	\$93,847	\$0	\$15,260,555
Wyomissing	\$70,675	\$3,300,000	\$388,006	\$4,172	295,273	\$10,028	\$4,068,153
York	\$1,647,675	\$4,320,000	\$627,588	\$0	\$338,128	\$479,545	\$7,412,935
Grand Total	\$55,778,996	\$107,740,782	\$6,779,114	\$6,336,694	\$17,991,459	\$1,402,585	\$196,029,629

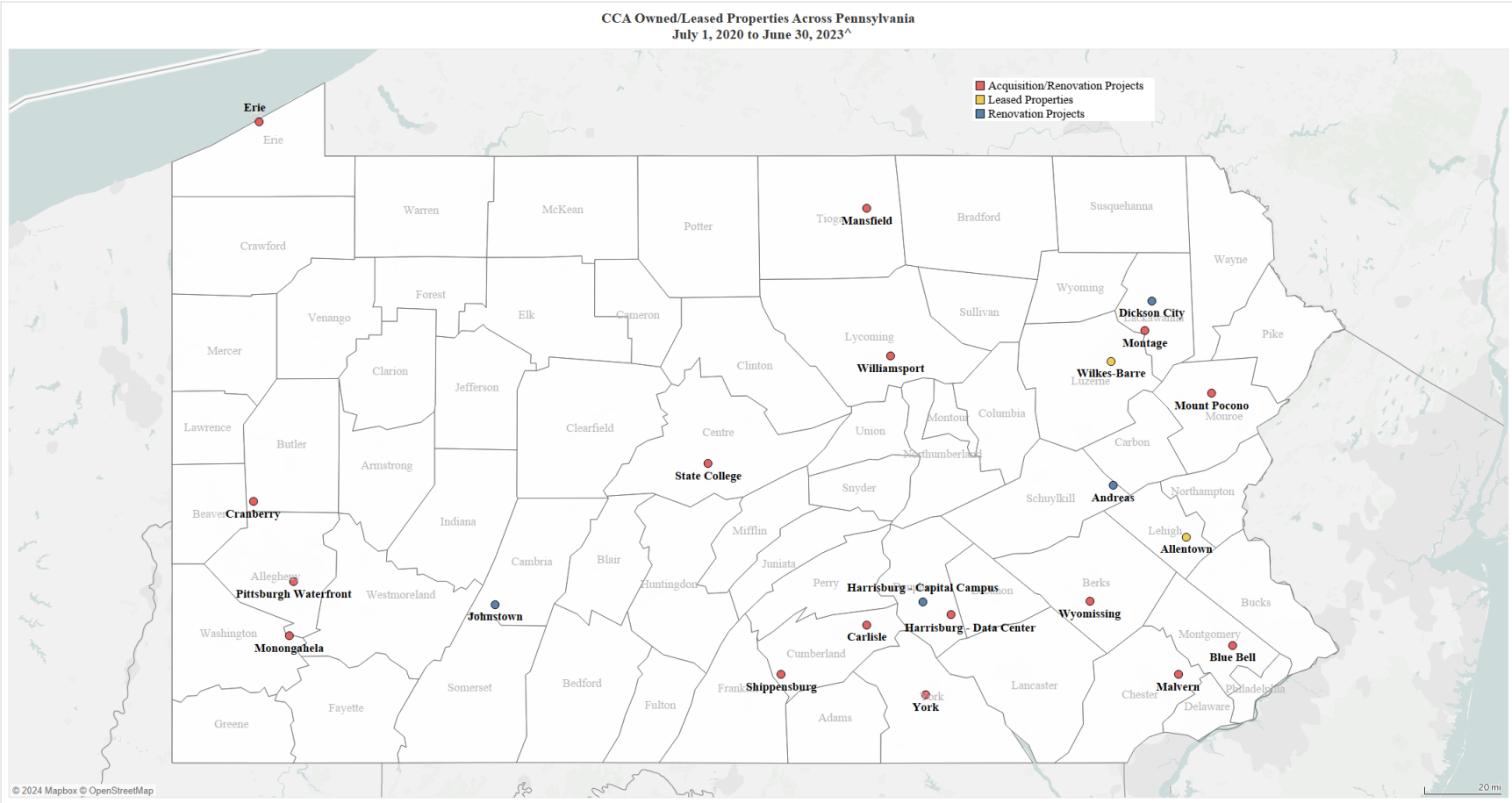
^a Buildings were leased by CCA during the audit period.

Source: Developed by Department of the Auditor General staff from information provided by CCA management.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

The map below shows the locations of CCA's owned and leased properties across Pennsylvania.



[^] - The map includes the Harrisburg Data Center building that management indicated was purchased after the audit period ended.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Commonwealth Charter Academy's Response and Auditor's Conclusion

We provided copies of our draft audit findings and related recommendations to Commonwealth Charter Academy (CCA) for its review. On the pages that follow, we included CCA's response in its entirety. Following CCA's response is our auditor's conclusion.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Audit Response from Commonwealth Charter Academy

MANAGEMENT RESPONSE OF THE COMMONWEALTH CHARTER ACADEMY CHARTER SCHOOL TO THE DEPARTMENT OF AUDITOR GENERAL'S PERFORMANCE AUDIT OF FIVE CYBER CHARTER SCHOOLS

Commonwealth Charter Academy Charter School (CCA) responds to the Pennsylvania Department of Auditor General's Performance Audit (Department) of Five Cyber Charter Schools, which covers the audit period of July 1, 2020 – June 30, 2023.

INTRODUCTION AND BACKGROUND

Through the Charter School Law (CSL), 24 P.S. § 17-1701-A *et seq.*, the General Assembly has granted each cyber charter school, including CCA, broad authority and "all powers necessary or desirable for carrying out its charter." 24 P.S. § 17-1714-A(a). The stated intent of the General Assembly in enacting the CSL is:

to provide opportunities for teachers, parents, pupils and community members to establish and maintain schools that operate independently from the existing school district structure as a method to accomplish all of the following:

- (1) Improve pupil learning.
- (2) Increase learning opportunities for all pupils.
- (3) Encourage the use of different and innovative teaching methods.
- (4) Create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site.
- (5) Provide parents and pupils with expanded choices in the types of educational opportunities that are available within the public school system.
- (6) Hold the schools established under this act accountable for meeting measurable academic standards and provide the school with a method to establish accountability systems.

24 P.S. § 17-1702-A.

There can be no doubt that CCA honors the intent of the CSL. Since first being authorized to operate as a public cyber charter school for the 2002-2003 school year, CCA has served as a model for other online schools in and outside of Pennsylvania. The school's commitment to family service and accountability, improving student learning and opportunities, engaging teachers and administrators in developing innovation in public education, and creating a school community that operates independently from the traditional school district structure can be seen daily.

Almost 95% of eligible students choose to return to CCA each school year. Additionally, CCA's reputation as the leader in online education has made it the most sought-after public cyber charter school in the state, with enrollment (based on PDE's October 1 snapshot) increasing by 20,567 students, or 235% from the start of the 2018-2019 school year through the current point of the 2024-2025 school year.

Pennsylvania is a large and diverse state, but the current public school district system does not meet the needs of all students, and families have evidenced their desire for public school alternatives for successful educational outcomes for their children. Public school choice ensures that every child in

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Pennsylvania can chart their own course, find success in school, and graduate to become a socially-responsible, productive citizen.

CCA *agrees* with the Department's conclusions that:

- Increases in enrollment and temporary federal funding for COVID-19 relief resulted in increases in CCA's revenues, expenditures, and Capital Projects Fund Balances.
- CCA correctly billed the resident districts accurate tuition rates for regular and special education students.
- The CSL provides cyber charter schools with autonomy in their operations, within the parameters of their charters and other applicable laws and internal procedures.
- CCA's expenditures were permissible and within its autonomy as an independent public school.
- CCA was able to document and demonstrate how it spends its funds.
- There were no findings of financial mismanagement or waste, fraud, or abuse.

However, CCA *disagrees* with some of the Department's conclusions regarding funding for cyber charter schools, CCA's expenditures, CCA's Family Service Centers, and CCA's utilization of the Capital Project's Fund. In response, CCA states as follows:

- The funding formula under the CSL represents the General Assembly's thoughtful, purposeful, and well-reasoned approach to ensuring students attending public charter and cyber charter schools receive fair and adequate funding in comparison to peers attending traditional district schools and no change is needed or appropriate.
- CCA's expenditures on staff compensation, student activities, vehicles, and facilities are all directed toward expanding and improving educational and related programs and opportunities for students and families.
- CCA's Family Service Centers serve a critical function in developing and maintaining a school community for students, families, and staff, and fostering the innovation that is a pillar of the CSL, and remain in compliance with the CSL and guidance issued by the Pennsylvania Department of Education.
- CCA effectively uses its Capital Projects Fund to save funds necessary to purchase, renovate, and construct Family Service Centers across the state to develop a statewide school community and improve programs and opportunities for CCA students, families, and staff, consistent with the CSL and CCA's charter, saving millions in financing and other debt service costs that are normally incurred by public schools.

COMMONWEALTH CHARTER ACADEMY

Finding 1 – CCA's revenue increased \$256.6 million, or 156 percent, from the 2019-20 fiscal year to the 2022-23 fiscal year due, in part, to increases in enrollment during the COVID-19 pandemic and supplemental federal relief funds.

Management Response

As noted by the Department, "CCA correctly billed the resident districts accurate tuition rates for regular and special education students." This conclusion is significant when considering that a large number of school districts do not submit the PDE-363 Form (Funding for Charter Schools, Calculation of Selected Expenditures Per Average Daily Membership) created by PDE to assist school districts with calculating

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

charter school tuition rates. The Department found that during the audit period, 207 regular education rates and 201 special education rates were not posted on PDE's website and had to be calculated by CCA with the assistance of a third-party vendor.

The funding structure established under the CSL ensures that cyber charter schools remain primarily accountable to students and families. Revenue for a cyber charter school is entirely dependent on enrollment. If students are well-served and families see the benefits of having their children enrolled in a cyber charter school, the school will have the revenue needed to maintain and expand educational and related programs.

This is in contrast to the funding system for school districts, which allows for a district's total revenue and per-student revenue to increase even when enrollment declines. School districts have local taxing authority that is not dependent on enrollment. More significantly, districts benefit from the "hold harmless" provisions in the Public School Code, which ensure that no school district receives less state funding in one year than it did the previous year. In fact, because of continued investments in Basic Education Funding, even school districts with declining enrollment enjoy year-over-year increases in funding.

CCA's enrollment increased during the audit period and continued through the 2024-2025 school year.

The COVID-19 pandemic brought to light that school districts were unprepared to continue operations in the face of emergencies that prevent schools from bringing students to their buildings for traditional in-person, face-to-face instruction. From March 2020 through the end of the 2019-2020 school year, CCA enrolled hundreds of new students from families from all economic levels and walks of life who sought a more experienced and stable online education than what was hastily put together by districts. Even though CCA enrolled 641 students from March 13, 2020, through the end of the 2019-2020 school year, the provisions of Act 13 of 2020 prevented CCA from invoicing school districts for these students, causing CCA to forfeit receiving \$2 million in revenue from the students' resident school districts. 24 P.S. § 15-1501.8(d).

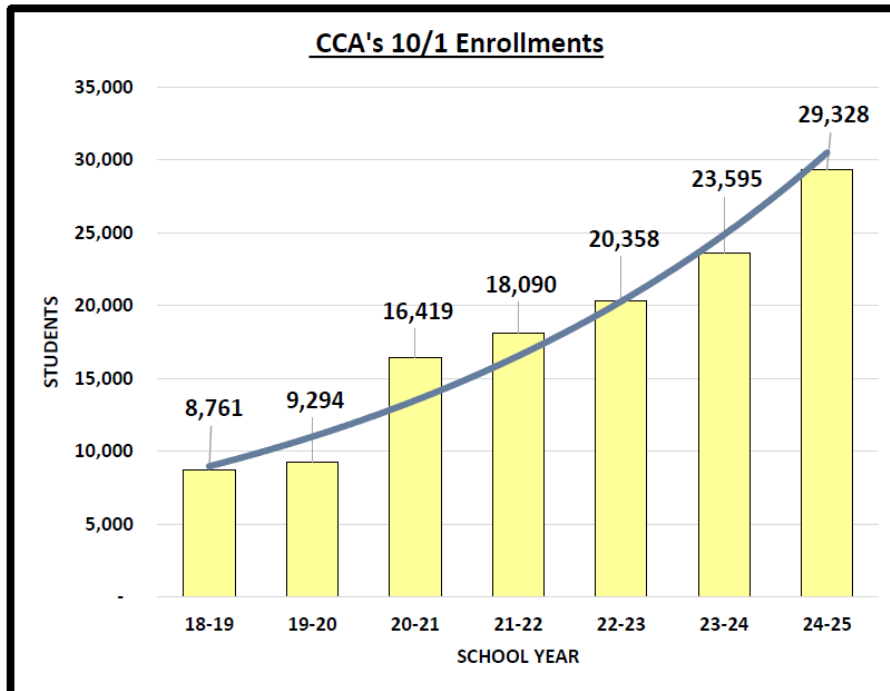
The COVID-19 pandemic should have been a call to action for districts to develop more robust online education options for students. CCA joined with other cyber charter schools to offer our decades-long expertise to school districts to assist them in delivering online educational programs; however, school districts declined this assistance. Very quickly, districts abandoned the online programs they were developing, leaving cyber charter schools as the only option for families needing the flexibility and safety of an online public education program. The inability of school districts to prepare for continued COVID-19 disruptions was evident as students continued to enroll in CCA at record numbers throughout the summer of 2020 and the 2020-2021 school year. Moreover, this trend made it clear that many families who had never experienced online education appreciated its benefits and chose it over their brick-and-mortar experience.

CCA has continued to experience rapidly increasing enrollment through the 2021-2022 and 2022-2023 school years, and the 2023-2024 and current (2024-2025) school years due to a number of other factors, e.g. school safety concerns; lack of flexibility in district educational programs; lack of transparency in district curriculum; perceived political and/or ideological discourse that negatively impacted instruction; perceptions of enhanced learning opportunities for economically disadvantaged students; and lack of consistency in staffing and services provided to students, especially to students qualifying for special education services. CCA remains one of the best options for families to ensure that their children have

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

access to a robust and equitable education, no matter where they reside in Pennsylvania. Even today, CCA continues to experience rapidly increasing enrollment.



As a school of choice, CCA's increasing enrollment is evidence that families have made informed decisions about where and how their children are educated. Since CCA's revenue is the result of tuition paid by each enrolled student's resident school district, revenue increased during the audit period as a direct result of increased enrollment. Similarly, expenditures increased as CCA served more students and expanded programs to better serve its diverse student population, with increasing representation from those qualifying as economically disadvantaged or requiring additional services.

Cyber charter school tuition rates are appropriately set to adequately fund public education for students.

The tuition rates paid to CCA by districts are calculated through formulae described in section 1725-A of the CSL, 24 P.S. § 17-1725-A, which account for each district's per-student expenditures for instructional and related programming and services. However, the formulae do not account for *all* expenditures.

Districts only include expenditures from their General Fund. Expenditures from Capital Projects, Food Service, or other funds are not accounted for in the formulae and, therefore, are not part of the revenue

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

cyber charter schools receive. Additionally, the statute allows for several deductions, most notably “facilities acquisition, construction and improvement services; and other financing uses, including debt service and fund transfers.” 24 P.S. § 17-1725-A(a)(2).

By way of example, in the years during the audit period, the average amount spent by school districts for facilities acquisition, construction, and improvement services was close to \$2,000 *per student*. This expenditure is deducted from the per-student amount a resident school district transfers to a cyber charter school educating a child that lives in that district. As a result, cyber charter school students, on average, lose upward of \$2,000 per student.

The Department’s conclusions and statements that cyber charter schools have “lesser” costs and that the revenue received under section 1725-A of the CSL are not based on CCA’s cost to educate students are misplaced. The CSL requires that CCA provide each enrolled student with “all instructional materials; ... all equipment, including, but not limited to, a computer, computer monitor and printer; and ... provide or reimburse for all technology and services necessary for the on-line delivery of the curriculum and instruction.” 24 P.S. § 17-1743-A(e). Cyber charter schools also incur additional expenses to maintain the technological infrastructure – self-hosted or cloud-based internet storage, network, and communication – and to offer state-mandated tests and special education and other related services to students across the state.

These unique expenditures (technology infrastructure; laptops, printers, peripherals, and curriculum materials for staff and students; shipping costs to deliver technology and other materials to students; administrative office and other facilities; state testing and other student program facility rentals; transportation for staff; increased costs for off-premises, in-person special education services; additional staffing and related costs to support an online program with statewide opportunities for in-person activities) are not similarly incurred by school districts.

Consequently, despite the significant additional costs incurred by cyber charter schools to provide a robust online learning program, a large percentage of a school district’s facilities expenditures, whether made through its Capital Projects Fund or General Fund, are excluded from the funding that follows a student when he or she attends a cyber charter school.

CCA receives less funding per student than most Pennsylvania school districts.

Increases in total revenue are not indicative of a flawed funding formula. As explained above, increases in CCA’s revenue during the audit period were almost entirely the result of sharp increases in enrollment and temporary federal funding designed to assist public schools with COVID-19-related costs.

Moreover, a broader review of funding for Pennsylvania’s school districts reveals that CCA receives less revenue per student than the majority of school districts. This same review reveals the general flaws in public school funding in the Commonwealth, under which some districts received over \$43,000 per student during the audit period while others received as little as \$13,000 per student, with the average revenue per ADM for all students in Pennsylvania being approximately \$20,000-\$21,000.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

**Revenue per student, calculated using Average Daily Membership¹
(2019-2020 school year through 2022-2023 school year)**

	2019-2020	2020-2021	2021-2022	2022-2023
Highest Revenue per ADM	\$32,433.52 <i>Montour School District</i>	\$42,716.18 <i>Farrell Area School District</i>	\$43,804.37 <i>Upper Merion School District</i>	\$38,697.18 <i>Forest Area School District</i>
Average Revenue per ADM	\$19,239.07	\$19,966.38	\$21,262.96	\$21,985.12
CCA Revenue per ADM	\$16,648.96 <i>Approximately Equivalent to 382nd out of 500 Districts</i>	\$17,423.34 <i>Approximately Equivalent to 392nd out of 500 Districts</i>	\$19,342.96 <i>Approximately Equivalent to 316th out of 500 Districts</i>	\$18,657.86 <i>Approximately Equivalent to 420th out of 500 Districts</i>
Lowest Revenue per ADM	\$13,034.96 <i>Shamokin Area School District</i>	\$13,123.70 <i>Shamokin Area School District</i>	\$14,168.29 <i>Shamokin Area School District</i>	\$14,883.57 <i>Mount Carmel Area School District</i>
<p>Data obtained from the Pennsylvania Department of Education's website, www.pa.gov/agencies/education/html. Highest, average, and lowest revenue per ADM are for school districts and do not include charter schools and cyber charter schools.</p> <p>2019-2020 - Bryn Athen Area School District (Revenue per ADM of \$230,386.00) excluded. 2020-2021 - Bryn Athen Area School District (Revenue per ADM of \$81,995.26) excluded. 2021-2022 - Annual Financial Report data for three school districts was not posted by PDE. 2022-2023 - Annual Financial Report data for eight school districts was not posted by PDE.</p>				

It is also noteworthy that while the average revenue per student **and** the lowest revenue per student increased by over 14.2% each during the four school years noted above, CCA's revenue per student increased by only 12.1%. See Appendix A. Also, as the Department noted, the Consumer Price Index (CPI), which measures inflation, increased 18.4% during this same time period.

Consequently, not only does CCA's revenue lag behind the average revenue per student for all students in school districts, but growth in CCA's revenue per student did not keep pace with the percentage increase in revenue for school districts or the CPI increases over this time period.²

¹ "Average daily membership (ADM) is the term used for all resident pupils of the [school] for whom the [school] is financially responsible. It is calculated by dividing the aggregate days membership for all children on active rolls by the number of days the [school] is in session." <https://www.pa.gov/agencies/education/programs-and-services/schools/grants-and-funding/school-finances/financial-data/financial-data-elements.html#accordion-64c212361d-item-c3881a1542>.

² CCA's special education ADM also increased from 22% to 28% of the total ADM between the 2020-2021 fiscal year and the 2022-2023 fiscal year, which should have resulted in larger increases in revenue per ADM.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

It is also noteworthy that 91 of the school districts with the highest revenue per ADM have fewer than 1,000 students enrolled. For example, the Forest Area School District has only 390 learners, yet its revenue has not decreased due to low enrollment. This is likely because of the hold-harmless provision in the Basic Education Funding formula, which ensures no Pennsylvania school district receives less state revenue than the previous year. Cyber charter schools like CCA, can provide robust educational opportunities that many small districts cannot due to their lack of economies of scale and sufficient staffing.

As clearly revealed by the data above and the graphs in Appendix A, criticism about Pennsylvania's charter school tuition rates not being based on "the cost to educate the students" is misplaced, especially since cyber charter schools have many unique costs, which are not common in traditional brick-and-mortar public schools.

FINDING 2 – CCA'S EXPENDITURES INCREASED \$302.8 MILLION, OR 219 PERCENT, FROM THE 2019-20 FISCAL YEAR TO THE 2022-23 FISCAL YEAR DUE TO INCREASES IN ENROLLMENT AND CAPITAL EXPENDITURES.

Management Response

The continued growth in enrollment and the additional, temporary federal funds during the audit period resulted in increases in CCA's expenditures. In addition to hiring teachers, administrators, and other support staff to meet the needs of students and families, CCA implemented a number of initiatives to better serve students and families during and following the audit period.

- From July 1, 2020, through June 30, 2023, CCA hired 1,470 staff members, 1,098 of whom were teachers.
- CCA's student-to-teacher ratio improved by over 25%, initially through supplemental federal funding and continuing through tuition revenue received under the CSL.
- CCA improved student-to-staff ratios for school counselors, assistant principals, and special education supervisors, to ensure that students and families had increased access to instructional administrators and support staff that were in the best position to quickly address student needs and personalize each student's educational program.
- CCA hired school social workers and school attendance officers to better serve students and families and, like all public schools, to address mental health and attendance issues, while also allowing school counselors and instructional administrators to focus on other primary duties.
- CCA made significant investments in its technology infrastructure and proprietary Relationship Management System³ to improve the efficiency and effectiveness needed to meet increasing enrollment and provide more tools for students, families, and staff to monitor and improve student academic outcomes.
- CCA created and redesigned proprietary courses and expanded its course catalog to over 508 courses to create programs and courses that can be personalized by teachers to meet each student's unique needs and interests, maximizing the opportunity for students of any instructional level to find success in school.

³ Additional information about CCA's proprietary Relationship Management System and courses is included in the response to Finding 3.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

- CCA developed an industry-leading mobile application (edioGO) for caretakers to monitor their student's schoolwork and engagement, communicate in real-time with school staff, browse and register for school activities and field trips, download reports, and complete practically any function that is also available through a caretaker's access to the full, web-based Relationship Management System.
- CCA improved the technology and curriculum delivered to students under section 1743-A(e) of the CSL, to provide students with improved opportunities for engagement in the instructional program.
- CCA purchased, constructed, and renovated 18 properties across the state to provide students, families, and staff with Family Service Centers in their communities.

CCA made significant investments during the period from the 2019-2020 school year through the 2022-2023 school year directly in student instruction. Expenditures in the "Instruction" category increased by \$146,104,065, or 267%, from the 2019-2020 through 2022-2023 school years. In the 2019-2020 school year, Instruction expenditures represented 49.1% of total General Fund expenditures; in the 2022-2023 school year, Instruction expenditures represented 60.2% of total General Fund expenditures.

Expenditures for staff compensation, vehicles, and equitable access to student and family social activities were appropriate and necessary.

Under the CSL, a cyber charter school is an "independent public school," and its Board of Trustees 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." See 24 P.S. §§ 17-1703-A, 17-1716-A, 17-1749-A(a)(1). "The board of trustees shall determine the level of compensation and all terms and conditions of employment of the staff except as may otherwise be provided in this article." 24 P.S. §§ 17-1724-A(a), 17-1749-A(a)(i)

Staff Bonuses

The staff bonuses awarded by the Board of Trustees during the audit period were permissible and appropriate compensation. As noted above, enrollment and staffing increased at unprecedented rates during the audit period. CCA staff regularly demonstrated excellence and professionalism in welcoming and adapting the new students, families, and staff to CCA.

Additionally, it is well-known that Pennsylvanians were continuing to struggle through the impacts of COVID-19, inflation (the Department commented on the 18.4% increase in the Consumer Price Index (CPI)), and other economic and non-economic pressures during this time period. Guidance issued by the United States Department of Education and PDE encouraged schools to increase educator and staff compensation, including through the use of hiring and retention bonuses.⁴ One example provided by

⁴ E.g., U.S. Department of Education, December 16, 2021 Dear Colleague Letter, [21-0414.DCL Labor-Shortages.pdf](#); U.S. Department of Education, [Using American Rescue Plan Funds and Other Federal Supports to Address Staff Shortages](#); U.S. Department of Education, [Fact Sheet: Sustaining Investments in Teachers Beyond the American Rescue Plan](#), https://www.ed.gov/sites/ed/files/2021/12/21-0414.DCL_Labor-Shortages.pdf; Pennsylvania Department of Education, [ARP ESSER Frequently Asked Questions](#), B-9b ("Can an LEA use ESSER funding to increase the base teacher salary or provide bonuses to teachers? ARP ESSER funds may be used to pay stipends, bonuses, or salary for teachers if the LEA can connect the compensation to issues resulted from COVID-19. However, LEAs are strongly cautioned against raising salaries to a level that they will not be able to maintain beyond the funding

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

the U.S. Secretary of Education in a December 16, 2021, Dear Colleagues letter noted a district that offered \$6,000 signing bonuses for teachers.⁵

Although CCA used revenue received from school districts for enrolled students for bonuses and not ARP ESSER funds, this guidance reveals that, contrary to the Department's conclusion, bonuses were not "uncommon or unique" during the audit period.

Fuel Stipends

Implementation of fuel stipends for staff required to work full-time from a CCA Family Service Center was permissible and not uncommon or unique. The stipends are an appropriate means to address the fact that some of CCA's staff are required to report regularly to an assigned Family Service Center while others continued to work on a hybrid schedule during a time when gas prices remain at all-time high levels.

Prior to March 2020, all CCA staff were required to work full-time from an assigned Family Service Center. The centers were temporarily closed in March 2020 in response to federal and state orders and guidelines issued in response to the COVID-19 pandemic. Staff were not required to work from their assigned Family Service Center during the 2020-2021 school year.

CCA's 12-month staff returned to work full-time from their assigned CCA Family Service Center at the start of the 2021-2022 school year, beginning in August 2021. During that time, the average retail price of regular gasoline increased from \$2.42/gallon in January 2021 to \$3.41 in December 2021 to a high of \$5.03/gallon in June 2022.⁶ Pennsylvania's historical highest recorded gas price occurred in June 2022, when the cost of regular gasoline was \$5.07/gallon.⁷

As a result, the Board of Trustees approved the payment of a fuel stipend of \$200 per pay period⁸ for staff reporting to work full time at a CCA Family Service Center to mitigate against the record increases in gasoline prices in 2021 and 2022, which persisted through the audit period and today. This stipend helps to eliminate any disparity in compensation between 12-month staff and the 10-month instructional staff who continued to work from home for the 2021-2022 school year and on a one-week rotation since August 2022.

Vehicles

CCA is perplexed at the Department's view that maintaining a fleet of vehicles for CCA staff to use for work-related purposes would be viewed as uncommon or unique for a cyber charter school. CCA serves over 33,000 students in all 67 counties across Pennsylvania. As a statewide school community, and due to various legal requirements and school programs (e.g., state testing, compulsory attendance and truancy, residency verifications, student wellness checks, high school graduation, student recognition

period. Stipends and bonuses for additional responsibilities are the most prudent method of compensating educators using one-time funds such as ARP ESSER.")

⁵ U.S. Department of Education, December 16, 2021 Dear Colleague Letter, Pg. 2 [21-0414.DCL Labor-Shortages.pdf](#).

⁶ [U.S. All Grades All Formulations Retail Gasoline Prices \(Dollars per Gallon\)](#) (Last accessed, January 10, 2025).

⁷ [AAA Fuel Prices](#) (Last accessed, January 10, 2025).

⁸ Due to staff having different commutes to their assigned Family Service Center, an average commuting mileage was determined and the stipend was calculated based on the average fuel price at the time.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

activities, field trips, and extracurricular activities, staff supervision and in-person meetings), a significant number of CCA's 2,400+ staff must travel on a daily basis.

Additionally, the decision to own fleet vehicles is a cost-efficient approach due to the scale of traveling that occurs across the state to address the needs of our students and families. CCA also participates in cost-saving measures (e.g. COSTARS or dealer and manufacturer discounts) when a fleet vehicle is purchased. CCA carefully selects vehicles that meet current transportation safety standards; offer all-wheel drive and increased visibility for the driver, to address Pennsylvania's seasonal driving differences and terrains; and are serviced regularly.

CCA's vehicle fleet allows the school to ensure staff can travel safely and efficiently to complete the job responsibilities and attend school functions while offering CCA and taxpayers a more economical alternative to reimbursement of mileage or vehicle leases or rentals.

Family Fun Fest Events

Prior to 2020, CCA would hold community-building Family Fun Fest events during the summer months at its Family Service Centers and other locations across the state. These social programs maintained a positive school community during the summer months, connecting students and parents with each other in ways that address the need for avoiding potential isolation. Restrictions on in-person gatherings in 2020 and 2021 prevented CCA from planning and holding these activities.

Starting in 2022, CCA looked to transition Family Fun Fests to outdoor sites that could accommodate CCA's growing school community and provide a safe environment for any immunocompromised or more cautious individuals who preferred outdoor gatherings. CCA found that baseball games offered a great opportunity for CCA's students, families, and staff to connect and maintain their enthusiasm for learning and growing.

While Pennsylvania offers many options for minor league baseball across the state, these options are not available in Philadelphia, which is also the location of CCA's largest concentration of families. Many of these families rely on public transportation, so CCA purposefully plans events to allow these families equal access to school-based events. CCA is committed to offering all families equal access to school activities and concluded it was necessary to host a Family Fun Fest at a Philadelphia Phillies baseball game. Unfortunately, due to unfair targeting and criticism by anti-school choice organizations, the Philadelphia and Pittsburgh Family Fun Fests were discontinued after 2023.

CCA has unique and different expenditures from traditional brick-and-mortar schools and school districts.

The Department also reviewed and discusses in its report that CCA has regular expenditures for other unique costs – contracted services for enrollment and technology and curriculum/school supply shipping and support, and special education-related services; travel expenses for staff professional development; room and event space rentals for student and staff activities necessary and appropriate for a public school; legal services; student enrichment activities; outreach to prospective families (i.e., advertising); and lobbying. As noted by the Department, these are reasonable and necessary for CCA's operation as a public cyber charter school.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA also agrees with the Department that these and all expenditures should be (and are) reviewed regularly to affirm the appropriateness of the nature and amounts of these expenditures. CCA's Board of Trustees is regularly informed of financial agreements/contracts and all financial transactions, which are ultimately approved by the Board at its public meetings. This provides clear transparency between the Board of Trustees, Senior Administration, and the public, and also allows the opportunity for open discussion during monthly board meetings.

As a public school, CCA's General Fund budget and Annual Financial Report are approved by the Board of Trustees and submitted to PDE annually. Like all public schools, CCA contracts with an independent, third-party auditor to conduct yearly audits and provide a report to the Board of Trustees that is reviewed and accepted at a public meeting. CCA also is monitored by PDE for all federal program grant funding CCA receives. CCA has received clean independent audits and federal monitoring reviews during the audit period. Moreover, CCA is subject to additional reporting and public transparency, such as the PDE's Annual Report and a federal tax return (IRS Form 990), which are not required for traditional brick-and-mortar school districts.

CCA also provides its staff and families with a narrative of its annual budget, so that they can have a view of how CCA invests in student learning and enrichment and school staff. Transparency, fostering public trust in the operations of the school, and maximizing the use of financial resources for improving student academic outcomes are at the forefront of every decision made by the Board of Trustees and the school administration.

CCA strongly disagrees with the implication that the increase in CCA's revenue and fund balance opens the organization to "the potential for wasteful and/or discretionary spending of taxpayer dollars that could go beyond the intent of the CSL." The Department did not find any lack of safeguards on spending or careless, wasteful, or extravagant spending, and stating a hypothetical that is inconsistent with the facts derived from the records reviewed by the Department is unwarranted. As explained above, the Board of Trustees directs all of CCA's spending decisions, and various audits and PDE monitoring reviews have not identified any issues with the reliability or transparency of the school's reporting. Furthermore, the Department offered no best practice, definition, example, or standard for evaluating the education-related expenditures at a cyber charter school of more than 30,000 learners and 2,400 staff. Consequently, the Auditor General is offering an opinion on educational efficiency, not an argument supported by standards that "identifies the required or desired state or expectation with respect to the program or operation."⁹

FINDING 3 – CCA'S GENERAL FUND AND CAPITAL PROJECTS FUND BALANCE INCREASED 124 PERCENT FROM \$95.3 MILLION AS OF JULY 1, 2020, TO \$213.4 MILLION AS OF JUNE 30, 2023. CCA ALSO EXPENDED APPROXIMATELY \$196 MILLION FOR BUILDING ACQUISITION/CONSTRUCTION DURING THE AUDIT PERIOD.

Management Response

For several years, CCA has utilized sound and effective cash and fund balance management practices and made planned transfers to its Capital Projects Fund for current and future expenditures for the

⁹ Government Accountability Office. (2024). *Government Auditing Standards* (GAO-24-106786). U.S. Government Accountability Office, standard 8.124.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

development and maintenance of an innovative proprietary Relationship Management System (RMS) needed to address the absence of effective online education resources and tools, and a robust suite of courses, and facilities acquisition, construction, and renovation. Once transfers are made, they are restricted to the Capital Projects Fund at that time. Therefore, the transfers made cannot be returned to the General Fund or any other fund, which calls for careful consideration of the planning incurred for these funds.

All transfers to the Capital Projects Fund were made in consultation with and approved by the Board of Trustees following a thorough review of current and future RMS and course development and maintenance projects and Family Service Center purchases, construction, and renovations.

A review of the Total Governmental Fund balance reveals that almost all the amounts were held in non-spendable, assigned, or restricted classifications. These classifications were reviewed with and approved by the Board of Trustees and were made in the best interest of the school and the responsible use of the public tax dollars entrusted to it. For example, the non-spendable fund balances for CCA are comprised of prepaid expenditures that have been paid in a fiscal year but will be used in upcoming fiscal years. For CCA, this mainly occurs for multi-year curriculum agreements or the purchase of larger quantities of curriculum materials that encourages cost-efficiency by gaining deeper vendor discounts.

Unlike traditional school districts, CCA is not required to follow the requirements in the School Code that put limits on a school district's General Fund unassigned fund balance when the district proposes to raise property taxes. See 24 P.S. § 6-688. Nevertheless, CCA uses this as a guideline for CCA's General Fund unassigned fund balance. At the end of each fiscal year of the audit period, less than \$1,000,000 was held in CCA's General Fund unassigned fund balance; CCA's General Fund unassigned fund balance percentage was 0.46% in the 2020-2021 school year, 0.28% in the 2021-2022 school year, and 0.23% in the 2022-2023 school year.

CCA's responsible use of the classification of funds and transfers to the Capital Projects Fund has allowed the school to save millions in debt service and other financing fees that would have otherwise been incurred using traditional methods employed by most public schools, and ensures that all other known and anticipated expenditures are covered by fund balances or anticipated revenues without negatively impacting instructional and other school programs and operations.

CCA's proprietary Relationship Management System and courses.

At the start of the 2018-2019 school year, CCA launched a proprietary RMS – “edio” (education for individualized outcomes) – and a robust suite of courses for regular education and special education students in grades K-12. Edio and the courses were developed and continue to be improved, based on over 20 years of experience in online teaching and supporting families of school-aged children.

In addition to providing students with an unmatched, flexible, personalized, online learning experience, edio provides a platform for students and their families to explore career interests and extracurricular activities; receive and review feedback on completed assignments; track attendance, learning progress, and growth; register for courses for the following school year; and communicate with school staff via e-mail and synchronous chat in a safe and secure environment. CCA has also developed a companion application for caretakers, edioGO, for use on mobile devices, which allows for all the same functionality for caretakers that is provided on the web-based edio RMS.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA's proprietary suite of over 500 courses, developed expressly for online learning, allows teachers to personalize asynchronous and synchronous instruction for *each* student, supporting individual learning needs and interests. Teachers can provide remediation and acceleration using the same course, which recognizes that students move at different paces not only throughout their educational career but even within a school year. Further, by allowing lesson and assessment variants to honor each student's personal and career interests, learning is relevant and applicable, creating a more meaningful and engaging learning experience.

Edio and CCA's courses are distinct and unique compared to other online instruction platforms available today, and they have been one of the factors that continue to draw students, families, and teachers to CCA, and result in improved academic outcomes, teacher morale, and job satisfaction.

CCA's Family Service Centers

CCA owns and leases physical facilities across the state to be used as Family Service Centers.

CCA's Family Service Centers serve as the primary locations from which CCA staff, including teachers, work, and also serve as locations for state testing (PSSA and Keystone); Act 158 graduation requirements/alternate testing (e.g. ACT, ASVAB, ACT WorkKeys, etc.); English Learner testing (which must be completed in-person); field trips and activities (e.g., student pictures, health/dental screenings, career expos, birthday recognitions, back-to-school celebrations, kindergarten graduations, career certification ceremonies); career-readiness programming, including CCAWorks; where enrolled families can come to seek tutoring, technology, or other assistance; and where prospective families can meet in-person with CCA staff to learn more about CCA's educational program and enrollment procedure.

In its report, the Department states: "According to PDE, a cyber charter school must use the internet or other electronic technology without a school-established requirement that students be present at a supervised physical facility designated by the school, except on a very limited basis, such as for standardized tests." This is a misstatement of the CSL and does not support the Department's conclusions regarding CCA's use of Family Service Centers. The CSL defines a "cyber charter school" as using "technology in order to provide a *significant* portion of its curriculum and to deliver a *significant* portion of instruction to its students through the Internet or other electronic means." 24 P.S. § 17-1703-A (emphasis added).

Furthermore, nothing in the definition of a cyber charter school or in any other part of the CSL prohibits CCA or any other cyber charter school from using physical facilities to enhance the online learning program. In fact, the CSL requires that a cyber charter school keep PDE apprised of "all offices and facilities of the cyber charter school, the ownership thereof and any lease arrangements." 24 P.S. §§ 17-1743-A(h) and 17-1747-A(16). The use of the plural for "offices" and "facilities" is indicative of the General Assembly's acknowledgment that cyber charter schools may have more than a single physical facility.

Family Service Centers are necessary to provide our families with the comprehensive learning experience, services, and supports they need and have come to expect. CCA is a statewide school community of over 33,000 (and growing) students. CCA works to meet the unique challenges involved in providing equal support and programming to all corners of the Commonwealth. The benefits of socialization and family involvement in the total education and development of a child are also well-

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

known and undisputed,¹⁰ and CCA's Family Service Centers and other related programs (mobile classrooms,¹¹ field trips,¹² clubs and activities¹³) support these important goals. In addition to meeting and interacting with other students with similar and diverse interests, CCA students participate in activities at Family Service Centers with family members, which honors CCA's mission to "deliver a personalized learning experience that *engages the entire family* and prepares learners to succeed in school and in life."¹⁴

Family Service Centers also serve a critical and essential function for hiring, onboarding, training, supervising, mentoring, and coaching all CCA staff. CCA would not be able to effectively carry out these responsibilities, which are also part of the regulatory requirements¹⁵ applicable to cyber charter schools, without the network of Family Service Centers across the state.

Innovation and the establishment of best practices are essential to CCA's program development. Staff collaboration and improvement through collegial in-person interactions essential to learning enhancement, which are supported by requiring staff to work from an assigned Family Service Center, are a proven component of CCA's success in serving families and meeting the intent of the General Assembly to create and use different and innovative opportunities for students and staff. See 24 P.S. § 17-1702-A(3), (4). Similarly, CCA believes in providing our students and families with many of the same opportunities to prevent isolation and maintain a sense of school community that would be enjoyed in a traditional brick-and-mortar school, through in-person activities and a physical presence in communities across the state.

The Board of Trustees is committed to having a Family Service Center within 45 minutes of all our families across Pennsylvania. Developing and maintaining a sense of school community and belonging is an important factor in the social and emotional development of each student and in increasing the likelihood of positive academic outcomes. On several occasions, CCA has purchased and renovated or constructed new buildings on blighted or deteriorating properties; in turn, the taxpayers benefit from CCA's investment in the community.

Like almost all public schools, CCA owns the majority of its physical facilities. Owning these facilities allows CCA to take advantage of predictable occupancy and maintenance costs that would otherwise fluctuate and increase more rapidly with leased facilities. Moreover, owning these facilities allows CCA to more easily benefit from various tax exemptions available to public schools and non-profit institutions. Importantly, owning the facilities ensures that any financial investments made to purchase, renovate, construct, and improve the properties and facilities remain assets of the school through real property and are not lost to third-party landlords. Finally, CCA is not able to receive reimbursement from the Commonwealth for lease expenditures that other public schools, including brick-and-mortar charter schools, enjoy under the School Code. See 24 P.S. §§ 25-2574.2, 25-2574.3, and 25-2575 – 25-2575.2.

¹⁰ [CCA offers many opportunities for socialization | CCA.](#)

¹¹ [Mobile Classrooms at CCA - Socialization Opportunities | CCA.](#)

¹² [Field Trips - CCA.](#)

¹³ [Cyber School Extracurricular Activities and Programs | CCA.](#)

¹⁴ [Our Mission, Vision and Values | CCA](#) (emphasis added).

¹⁵ E.g. 22 Pa. Code § 4.13 (requiring a strategic plan, including a professional education plan and induction plan for staff); 22 Pa. Code Ch. 19 (establishing standards for the educator effectiveness rating tool).

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

CCA's use of its Family Service Centers fully complies with the requirements of the Charter School Law (CSL), 24 P.S. § 17-1701-A *et seq.*, and honors the Pennsylvania Department of Education's (PDE) guidance as set forth in its Basic Education Circular (BEC). See PDE BEC, Cyber Charter School Operations and Proper Use of Physical Facilities, 24 P.S. §§ 17-1741-A – 17-1751-A, Issued July 11, 2013.

CCA will continue to manage revenue and expenditures responsibly through the General Fund and Capital Projects Fund transfers and categorization of funds to support the growing school community.

CCA has invested \$77.3 million in RMS/edio and course development since the inception of these proprietary learning tools during the 2016-2017 school year, all of which was made possible through the use of responsible management of the Capital Projects Fund and other fund categories. As technology changes, CCA plans for continued development of edio and courses to serve a growing and increasingly diverse student and family population.

Similarly, CCA continues to identify appropriate locations for Family Service Centers to meet the Board's objective of having a Family Service Center within 45 minutes of any CCA family and maintain sufficient work locations for CCA's growing staff population. As of the date of this response, CCA plans a total of 26 Family Service Centers and support properties across Pennsylvania.

CCA will continue to categorize and transfer funds to the Capital Projects Fund, following the cost-effective and common-sense "save then spend" philosophy to ensure RMS, courses, and Family Service Center development do not impact school operations, and will also ensure that a low, but managed and sufficient, amount of funds are available in the unassigned General Fund balance throughout the year to ensure continued operations.

OVERALL CONCLUSION

CCA agrees that revenues and expenditures increased during the audit period as a result of increasing enrollment and additional federal funding. CCA also agrees that it correctly billed districts accurate tuition rates for enrolled students based on the formulae in the CSL.

As explained in more detail in response to Findings 2 and 3, CCA's spending is supported by the CSL and related laws, USDOE and PDE guidance, and educational best practices. CCA disagrees that the purchase, construction, renovation, and operation of Family Service Centers across the state is in any way inconsistent with the CSL or PDE guidance or a cause for concern. While unique, it demonstrates CCA's commitment to innovation and the development of new approaches, part of the General Assembly's stated intent in creating charter schools.

Finally, CCA disagrees with the Department's recommendation that the CSL's funding formula is "flawed" or that any revisions are necessary.

In July 2024, Governor Josh Shapiro signed into law Act 55 of 2024, which amends several provisions of the Public School Code. Among these were changes to the formula for tuition for special education students attending cyber charter schools as now set forth in section 1725.1-A of the CSL, 24 P.S. § 17-1725.1-A. CCA estimates that, based on current enrollment projections, funding for CCA's special education students will be reduced by over \$30 million this school year and over \$50 million next school

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

year. The actual amount of the reduction in funding may increase based on increasing enrollment. The full impact of this funding cut will not be quantifiable for at least two years.

In light of the fact that CCA already receives less revenue per student than most Pennsylvania school districts and that growth in CCA's per-student revenue already lags behind the average per-student revenue for Pennsylvania districts and the CPI (see response to Finding 1), and that Act 55 of 2024 already includes significant cuts in funding for cyber charter school students, any recommendation or consideration of additional reductions in funding would be irresponsible, unfair, and unconstitutional.

RECOMMENDATIONS

Recommendations for CCA:

1. CCA agrees that PDE should ensure districts are timely completing their per-student calculations for regular education and special education students as required by Act 55 of 2024, to reduce the need for CCA and other charter schools and cyber charter schools to calculate the tuition rates on their own. However, CCA disagrees with this recommendation to the extent that it implies that CCA has any role in working with PDE to ensure that districts follow through on their obligations under the School Code. CCA defers to PDE to determine how the agency will ensure each district complies with section 1725-A(a)(7) of the CSL, 24 P.S. § 17-1725-A(a)(7).
2. CCA disagrees with the Department's recommendation regarding the enactment of legislation to change/reduce the funding for cyber charter school students. While the Department may have subjective disagreements with how CCA exercises its experience-informed judgment as to how it invests in the education of its students, it is important to note that the Department found no instances of waste, fraud, or abuse of public funds. Additionally, an objective and broader review of funding for public schools reveals that CCA's revenue per student is already lower than the average for Pennsylvania school districts and that it has not maintained pace with the growth in revenue to school districts or the CPI. Finally, the General Assembly enacted changes to funding for cyber charter school students through Act 55 of 2024, which CCA anticipates will result in reductions in funding of over \$30 million in the 2024-2025 school year and over \$50 million in the 2025-2026 school year. No further changes in funding can be considered until the impact of these funding cuts can be evaluated.
3. CCA agrees that all expenditures for all public schools must be carefully considered and must be consistent with the educational mission of the school. However, CCA disagrees with this recommendation to the extent that it implies that the expenditures reviewed by the Department were not consistent with the school's mission to serve students or the intent of the General Assembly in enacting the CSL. To the contrary, the records provided to the Department demonstrate that careful consideration of each expenditure was made by the administration and the Board of Trustees. Moreover, the expenditures highlighted in the Department's report were all appropriate, necessary, and supported by U.S. Department of Education and PDE guidance and best practices.
4. CCA agrees that all public schools should assign or commit fund balance amounts in ways that enhance the educational mission of the school. However, CCA disagrees with the Department's recommendation to the extent that it implies that CCA does not currently assign or commit fund

A Performance Audit

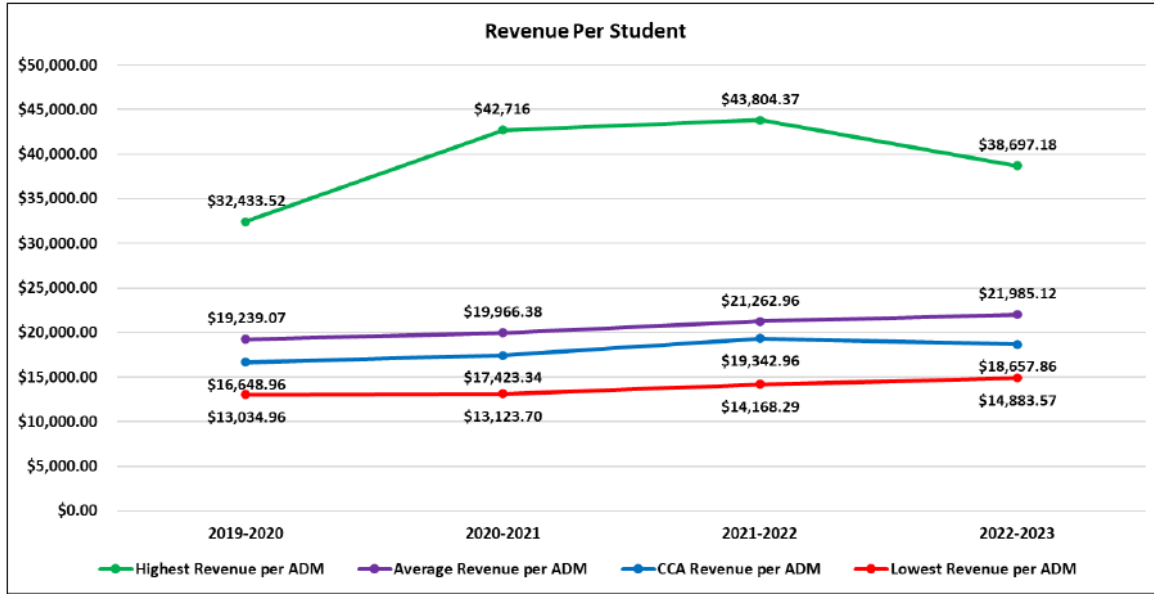
Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

balance amounts in such a manner. CCA uses its special funds to save for planned and anticipated capital project expenditures on Family Service Centers, continued Relationship Management System development, and other allowable uses. CCA's responsible use of its Capital Projects Fund has allowed the school to save millions in debt service and other financing fees that would have otherwise been incurred using the traditional methods employed by public schools. Moreover, CCA maintains a low but managed and sufficient amount of funds in the unassigned General Fund balance throughout the year to ensure continued operations.

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

APPENDIX A – REVENUE PER STUDENT (PENNSYLVANIA DISTRICTS AS COMPARED WITH CCA)



	2019-2020	2020-2021	2021-2022	2022-2023
Highest Revenue per ADM	\$32,433.52	\$42,716	\$43,804.37	\$38,697.18
Average Revenue per ADM	\$19,239.07	\$19,966.38	\$21,262.96	\$21,985.12
CCA Revenue per ADM	\$16,648.96	\$17,423.34	\$19,342.96	\$18,657.86
Lowest Revenue per ADM	\$13,034.96	\$13,123.70	\$14,168.29	\$14,883.57

INCREASE FROM 2019-2020 THROUGH 2022-2023	
Highest Revenue per ADM	19.31%
Average Revenue per ADM	14.27%
CCA Revenue per ADM	12.07%
Lowest Revenue per ADM	14.18%

(All data obtained from the Pennsylvania Department of Education's publicly-accessible website, <https://www.pa.gov/agencies/education.html>)

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Auditor's Conclusion to Commonwealth Charter Academy's Response

Commonwealth Charter Academy's (CCA) management indicated in its response that CCA honors the intent of the Charter School Law (CSL) and serves as a model for other online schools in and outside of Pennsylvania. It further stated that enrollment has increased by 20,567 students, or 235 percent, from the start of the 2018-2019 through 2024-2025 fiscal years showing its reputation as a sought after public cyber charter school.

CCA management agreed with the following of the Department's conclusions within the report:

- Increases in enrollment and temporary federal funding for COVID-19 relief resulted in increases of CCA's revenues, expenditures, and Capital Projects Fund Balance.
- CCA correctly billed the resident districts accurate tuition rates for regular and special education students.
- The CSL provides cyber charter schools with autonomy in their operations, within the parameters of their charters and other applicable laws and internal procedures.
- CCA's expenditures were permissible and within its autonomy as an independent public school.
- CCA was able to document and demonstrate how it spends its funds.
- There were no findings of financial mismanagement or waste, fraud, or abuse.

However, CCA management indicated in its response that it disagreed with some of the Department's conclusions. We address CCA's disagreement in our further conclusions below.

Finding 1

In summary, CCA indicated that revenue for cyber charter schools is entirely dependent on enrollment and if students are well-served then the school will have the revenue needed to maintain and expand educational programs. CCA notes that its enrollment has rapidly increased from 8,761 students in the 2018-2019 fiscal year, to 29,328 students in the 2024-2025 fiscal year. CCA asserts that cyber tuition rates are appropriately set by the CSL to adequately fund cyber charter education and that cyber charter schools already receive less funding per student than most Pennsylvania school districts and its revenue per student increased less than the average of all school districts in Pennsylvania and the Consumer Price Index (CPI) from the 2019-2020 fiscal year to the 2022-2023 fiscal year. CCA states because it receives less revenue per student

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

and Act 55 of 2024 already includes significant cuts to cyber charter school students.¹¹² CCA believes any recommendation or consideration of additional reductions in funding would be irresponsible, unfair, and unconstitutional.

We agree that revenue for cyber charter schools is mainly dependent on enrollment which has substantially increased at CCA since the COVID-19 pandemic. We do not dispute CCA's assertion that it receives less revenue per student than most Pennsylvania school districts or that the revenue increase from the 2019-2020 to 2022-2023 fiscal years was both less than the average of all school districts in Pennsylvania and the CPI. However, we cannot comment on the average revenue per student as we did not audit those numbers. *See* our conclusion regarding the funding formula in Recommendation 2 below.

Recommendation 1

We are encouraged that CCA agreed with our recommendation that the Pennsylvania Department of Education (PDE) should ensure districts are timely completing their per-student calculations for regular and special education student as required by Act 55 of 2024. CCA disagreed with the recommendation to the extent that it implies CCA has any role in working with PDE to ensure districts follow through with its obligations under the CSL. We acknowledge CCA's response that PDE is ultimately responsible for ensuring districts are providing their per-student calculations in accordance with Act 55 of 2024. Our recommendation focused on encouraging CCA to work closely with PDE to promote district accountability and compliance with Act 55 of 2024, ultimately benefiting all parties involved. We are hopeful that Act 55 of 2024 will effectively reduce the problem with school districts not providing tuition rate calculations to PDE and/or the cyber charter schools, and therefore, CCA communicating the effectiveness of its implementation to PDE is crucial.

Recommendation 2

CCA disagreed with efforts to enact legislation that would change or reduce funding for students attending cyber charter schools. CCA further states its revenue per student is already lower than the average for Pennsylvania school districts and has not maintained pace with the growth of revenue to school districts or the CPI. CCA also anticipates that Act 55 of 2024, will result in reductions of funding of over \$30 million in the 2024-2025 school year and \$50 million in the 2025-2026 school year, and therefore, CCA believes no further changes to the funding formula should be considered until the impact of those funding cuts are evaluated.

Our recommendation is not intended to prescribe specific changes to the funding formula or imply that any modifications would result in increasingly lower rates for cyber charter schools.

¹¹² *See* 24 P.S. § 17-1725.1-A added by Act 55, enacted July 11, 2024, related to cyber charter school funding which is mostly relevant to special education students and effective January 1, 2025 (*that is outside of our audit period*).

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

Instead, based on the results of our audit, we found that the Charter School Law's funding formula results in 1,000 different rates (a different regular education and special education tuition rate for all 500 school districts) being paid to the same cyber charter school that is based on the resident school district's budgeted expenditures from the prior year and not the actual cost to educate a student at CCA. We recommend the need for collaboration between and among PDE, the Governor, and the General Assembly to research and implement a funding formula that ensures fairness and equity for all students. Our focus is on fostering a funding structure that balances the interests of all stakeholders while supporting the educational mission of cyber charter schools. All factors, including Act 55 of 2024, should be taken into consideration. We also note that Act 55 of 2024 applies strictly to the special education funding formula, but since it was not in effect during our audit period, we cannot assess the financial impact of its changes on CCA or the other cyber charter schools.

Finding 2

CCA management agreed that expenditures increased \$302.8 million, or 219 percent, from the fiscal year 2019-20 through the fiscal year 2022-23 due to increases in enrollment and capital expenditures. CCA indicated that continued growth in enrollment and the additional temporary federal funds during the audit period resulted in increases of CCA's expenditures. Increases in expenditures was due of hiring teachers, administrators, and support staff to support the additional students and their needs. In addition, increases in capital expenditures were due to investments in its relationship management system and the purchasing, constructing and renovating properties for the purpose of operating Family Service Centers across the Commonwealth.

CCA disagreed with our finding that certain expenditures for fuel stipends, vehicle purchases, staff bonuses, and family fun fest events could be considered unique or uncommon for a cyber charter school. In its response, CCA stated that these expenditures were appropriate and necessary and that under the CSL, a cyber charter school is an independent public school and its board of trustees has the authority to decide matters related to its operations of the school. We do agree as we state in our report that CCA does have the financial autonomy to determine how it spends its money and that the expenditures were permissible; however, through our review we did note some expenditures which we determined were uncommon or unique for a public cyber charter school. We provide further conclusions regarding these expenditures below.

Fuel Stipends – CCA stated in its response that the fuel stipends were provided to all employees who returned on-site as a way to mitigate the increase in gasoline prices for those who are reporting on-site. CCA indicated these payments eliminated any compensation disparity between staff who now report to the office versus those who are still working remotely. In our finding, we noted CCA provided \$2.4 million to employees for fuel stipends for all employees that returned to work full-time during the fiscal years ended June 30, 2022, and 2023. We reiterate that CCA did not have a specific policy regarding fuel stipends and staff received this stipend regardless of

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

commuting distance. While we acknowledge there were increases in gas prices that affected staff, we considered this an uncommon expense due to the amount of the stipends, lack of a policy, and that CCA was the only cyber charter school in our review who paid staff fuel stipends.

Vehicle purchases – CCA’s response stated that its decision to own fleet vehicles was more economical as opposed to paying reimbursement of mileage or rental vehicles and that various legal requirements and school programs require travel by staff members on a daily basis. We acknowledge that various legal requirements and school programs require travel by staff members and CCA believes using its own fleet vehicles is more economical; however, CCA did not provide details on how much it saves by having staff use CCA vehicles as opposed to being reimbursed for mileage payments. Our audit found that CCA purchased 39 vehicles totaling \$1.3 million, or an average of \$34,000 per vehicle, and had a total of 72 vehicles in its fleet as of May 2024, which we considered unique when compared to other cyber charter school operations.

Staff bonuses – CCA indicated that staff bonuses were not uncommon or unique and were awarded by the Board of Trustees as permissible and appropriate compensation. CCA further stated that the United States Department of Education and PDE encouraged schools to increase educator and staff compensation including through hiring and retention bonuses. Our audit disclosed bonuses to staff were paid out on six different occasions, totaling approximately \$22 million. It is important to note that our recommendation was made because the \$22 million in staff bonuses were paid during the audit period and subject to review under our audit objectives. While we recognize the unique circumstances of the pandemic and the fact that CCA maintains financial autonomy, we reiterate the importance of carefully considering whether all expenditures, including staff bonuses, are appropriate, necessary and the best use of taxpayer and public education dollars.

Family Fun Fest Event – CCA indicated that the purpose of these events was to help build a sense of community among students and families attending CCA, and that it found baseball games offered a great opportunity for doing this. CCA stated that in most parts of Pennsylvania there are options for minor league baseball; however, in Philadelphia where this event was held this was not the case. CCA responded it discontinued this event, along with a similar one in Pittsburgh due to unfair targeting and criticism by anti-school choice organizations. We acknowledge CCA wanting to hold community building events as a way to bring students and families together; however, we believe these costs should be reasonable and agree with CCA’s decision to hold less costly events in the future.

CCA strongly disagreed with our suggestion that increases in revenues and fund balances exposes CCA to potential wasteful and/or discretionary spending of taxpayer dollars that could go beyond the legislative intent of the CSL. CCA further stated the Board of Trustees directs the spending of the school and our report did not find any lack of safeguards, or careless, wasteful or extravagant spending. It is the view of our department, as discussed in the report, that excess in

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

fund balances have the potential to lead to possible unnecessary spending. Our report did identify expenditures, as discussed above, that while permissible may be unique or uncommon for a public cyber charter school. While we recognize CCA's financial autonomy, we also reiterate the importance of carefully considering whether all expenditures, including those mentioned above, are appropriate, necessary and the best use of taxpayer and public education dollars.

Recommendation 3

CCA disagreed with our recommendation and interpreted it as implying that expenditures reviewed by the department were not consistent with the school's mission to serve students or the intent of the General Assembly in enacting the CSL. While expenditures examined during the audit period were permissible under the CSL, and we acknowledge CCA's financial autonomy, CCA and all cyber charter schools should carefully consider expenditures that have the appearance of being not related to educating enrolled students. We are encouraged that CCA agrees that all expenditures for all public schools must be carefully considered and must be consistent with the educational mission of the school.

Finding 3

CCA stated in its response that all transfers to the Capital Projects Fund were made in consultation with the Board following a thorough review of current and future Relationship Management System (RMS) and course development needs, and Family Service Center (FSC) purchases, construction and renovation. Once transfers are made to the Capital Projects Fund the funds are restricted at that time and cannot be returned to the General Fund.

CCA stated it has invested \$77.3 million in its RMS and course development since the 2016-17 school year for its proprietary courses which are distinct and unique compared to other online instruction platforms. CCA also responded that it owns and leases physical facilities across the state to be used as FSCs which serve as primary work location for staff, locations for state testing, field trips, tutoring, etc. CCA stated our report misrepresents the requirements of a cyber charter school and that the CSL defines a "cyber charter school" as using technology in order to provide a **significant** portion of its curriculum and to deliver a **significant** portion of instruction to its students through the internet or other electronic means. CCA further added that nothing in the definition of a "cyber charter school" or in the CSL prevents cyber charter schools from using physical facilities to enhance online learning. CCA additionally indicated its Board is committed to having a FSC within 45 minutes of all families in Pennsylvania and that owning facilities has advantages including allowing the properties to remain assets of the school. In summary, CCA stated that its use of FSCs fully comply with the requirements of the CSL and the PDE Basic Education Circular (BEC).

We agree that CCA's management along with its Board has the ability to determine how to use its funds including transferring money into the Capital Projects Fund which was mainly used for

A Performance Audit

Commonwealth Charter Academy, Pennsylvania Leadership Charter School, Insight PA Cyber Charter School, Pennsylvania Cyber Charter School, and Reach Cyber Charter School

its proprietary RMS and for FSCs as we note in our audit report. We also agree with CCA regarding the definition of a “cyber charter school” and that the CSL does not prohibit CCA from obtaining and renovating buildings. Because CCA spent approximately \$196 million during the audit period for acquisition and renovation costs for 21 buildings and had another \$183 million in its Capital Projects Fund as of June 30, 2023, it raises concerns about the appropriateness of these expenditures and whether they align with the online learning platform unique to cyber charter schools and ultimately the intent of the CSL. We recommend that PDE should determine if CCA’s acquisition and renovation of buildings is consistent with its guidance and aligns with the CSL, including consideration of possible revisions to its 2013 BEC pertaining to cyber charter school’s physical facilities.

Recommendation 4

We are encouraged that CCA agreed all public schools should assign or commit fund balance amounts in ways that enhance the educational mission of the school. In its response, CCA disagreed that it is not currently assigning or committing fund balance amounts in a way that enhances student education. CCA also stated it maintains a low but managed and sufficient amount of funds in its unassigned General Fund balance. We believe that cyber charter schools have a responsibility to manage their fund balances in a way that enhance education and allows the school to remain financially stable including maintaining the minimum recommended amount of unrestricted General Fund balances.