

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
YORK COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

JUNE 2010

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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Ms. Andrea McNeill Washington, Board President
Crispus Attucks Youthbuild Charter School
605 South Duke Street
York, Pennsylvania 17403

Dear Governor Rendell and Ms. McNeill Washington:

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

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

Independent Auditor's Report (Continued)

The results of our tests indicated that, in all significant respects, the Crispus Attucks Youthbuild Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following six findings. In addition, we report on various issues of interest in the one observation. The findings and observation are further discussed in the Conclusion section of this report:

- Finding No. 1 – General Fund Deficit of \$261,833 as of June 30, 2007
- Finding No. 2 – Certification Irregularities and Failure to Comply with the 75 Percent Certified Staff Requirement of the Charter School Law
- Finding No. 3 – Purchase of Service Agreement Between the Charter School and York County Children and Youth Services Violates Provisions of the Charter School Law
- Finding No. 4 – Inaccurate Reporting of Membership Data and Tuition Billing Errors Resulted in Net Over-billings to Districts of \$87,648
- Finding No. 5 – Members of the Board of Trustees Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act
- Finding No. 6 – Failure to Obtain Memorandum of Understanding
- Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

Independent Auditor's Report (Continued)

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

Sincerely,

/s/

JACK WAGNER
Auditor General

June 17, 2010

cc: **CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL** Board of Trustees



CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

History of Charter Schools in Pennsylvania

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

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

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

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A(a).

⁴ 24 P.S. § 17-1717-A(c).

⁵ 24 P.S. § 17-1717-A(d).

⁶ 24 P.S. § 17-1717-A(f).

⁷ 24 P.S. § 17-1721-A(a).

⁸ 24 P.S. § 17-1720-A.

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

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA (Continued)

History of Charter Schools in Pennsylvania

Act 88 of 2002 amended the Law to allow for the establishment of cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means.¹⁰ Unlike charter schools, cyber charter schools must submit their application to the Department of Education (DE), which determines whether the application for charter should be granted or denied. However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board. In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.¹¹ As of September 14, 2007, there are 122 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.¹² According to DE, nearly 50,000 children are enrolled in these schools.¹³

¹⁰ 24 P.S. § 17-1703-A.

¹¹ 24 P.S. § 17-1745-A (a), (f).

¹² DE expects the total number of charter schools to increase by five to seven for the 2007-08 school year based on new charter school applications pending final approval.

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

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Crispus Attucks Youthbuild Charter School, located in York County, opened in August of 1999. The Crispus Attucks Youthbuild Charter School was originally chartered on May 17, 1999 for a period of three years by the York City School District

According to the charter school's mission statement, the Crispus Attucks Youthbuild Charter School prepares youth to become mentally tough by accepting responsibility for themselves, their families, and their community. Additionally, the charter school seeks to aid students in developing respect for self and others through academic and vocational education, so that they can become respectable leaders in the community.

During the year ended June 30, 2006, the Crispus Attucks Youthbuild Charter School provided educational services to 139 students from 8 sending school districts through the employment of 2 administrators, 6 teachers, and 12 full-time and part-time support personnel. The charter school also provided educational services to 155 students during the 2004-05 school year, and 143 students during the 2003-04 school year.

Expenditures for the school years¹⁴ 2005-06, 2004-05 and 2003-04 were \$1,478,150, \$1,362,688 and \$1,459,932, respectively. Revenues of \$1,433,716, \$1,387,515 and \$1,277,399 supporting these expenditures were derived from local, state, and federal sources for the 2005-06, 2004-05 and 2003-04 school years, respectively (see Summary of Charter School Revenue, page 9). State revenue was received in the form of reimbursements for charter schools, alternative education, rental and sinking fund¹⁵ payments, state grants, Social Security and Medicare Taxes, and retirement obligations (see Appendix III Schedule of State Revenue, page 45).

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

¹⁵ A "sinking fund" is an account established to repay monies that were borrowed through a bond issue.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND (Continued)

Background

The charter school derives some of its operating revenue from the school districts whose students attend the charter school. These sending school districts are required by Section 1725-A of the Charter School Law¹⁶ and instructions from the Department of Education to provide the charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,¹⁷ based upon the school districts’ general fund budgeted expenditures and average daily membership (ADM) for the immediately preceding school year. ADM refers to the number of days each student is enrolled at the charter school or school district over the course of the school year. This average is used to calculate various subsidies and reimbursements for school districts and charter schools.) This funding calculation is to be paid to the charter school by the sending school districts, based on the actual ADM of their students who attend the charter school, (see Appendix I – Schedule of Local Revenue, page 43).

¹⁶ 24 P.S. § 17-1725-A.

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

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
 PERFORMANCE AUDIT REPORT
 BACKGROUND (Continued)

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

<u>CHARTER SCHOOL REVENUES</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Local Revenue*	\$ 476,308	\$ 755,614	\$ 588,237
Federal Revenue	852,257	465,312	536,219
State Revenue	<u>105,151</u>	<u>166,589</u>	<u>152,943</u>
<u>TOTAL REVENUE</u>	<u>\$1,433,716</u>	<u>\$1,387,515</u>	<u>\$1,277,399</u>

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

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

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

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

- to determine overall compliance with the Public School Code of 1949¹⁸ (Code) and the Charter School Law (Law);¹⁹
- to determine whether at least 75 percent of the charter school's professional staff members, including teachers and administrators, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;²⁰
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,²¹ to which charter schools are made subject by Section 1724-A(b) of the Law,²² requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- to determine whether the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;²³
- to verify membership numbers reported to the Department of Education and determine whether average daily membership and tuition billings were accurate;

¹⁸ 24 P.S. § 1-101 *et seq.*

¹⁹ 24 P.S. § 17-1701-A *et seq.*

²⁰ 24 P.S. § 17-1724-A(a).

²¹ 24 P.S. §§ 11-1109 and 12-1209.

²² 24 P.S. § 17-1724-A(b).

²³ 24 P.S. § 17-1715-A(9).

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE (Continued)

- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code²⁴ and Chapter 11 of the State Board of Education Regulations²⁵ and, if not, whether the charter school removed days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to Section 11.24 of the State Board of Regulations;²⁶
- to determine whether each of the charter school's trustees and administrators and each of the school board members of the host school district complied with the Code and the Public Official and Employee Ethics Act²⁷ (Ethics Act) by filing their Statement of Financial Interests Forms and to determine whether any violations of the Ethics Act occurred or any potential conflicts of interests exist;
- to determine whether the charter school complied with Section 1303-A of the Code²⁸ requiring the charter school to obtain a Memorandum of Understanding with their local law enforcement agency;
- to determine whether the charter school is in compliance with Section 1724-A(c) of the Law²⁹ requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the charter school application unless the board of trustees has a retirement plan that covers the employees or the employees are enrolled in another retirement program; and
- to determine whether the charter school is in compliance with Section 1728-A of the Law³⁰ requiring each charter school to assess whether it is meeting the goals of its charter and to submit a report of its assessment to DE no later than August 1 of each year.

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

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

²⁵ 22 Pa. Code, Chapter 11.

²⁶ 22 Pa. Code § 11.24.

²⁷ 65 Pa.C.S. § 1101 *et seq.*

²⁸ 24 P.S. § 13-1303-A(c).

²⁹ 24 P.S. § 17-1724-A(c).

³⁰ 24 P.S. § 17-1728-A.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

METHODOLOGY

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

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

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION

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

- the charter school demonstrated compliance with Sections 1109 and 1209 of the Code,³¹ to which charter schools are made subject by Section 1724-A(b) of the Law,³² requiring that noncertified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school,
- the charter school satisfied instructional time requirements of a minimum of 180 days of instruction or 900 hours per year of instruction at the elementary level, or 990 hours per year of instruction at the secondary level pursuant to Section 1715-A(9) of the Law;³³
- the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code³⁴ and Chapter 11 of the State Board of Education Regulations;³⁵
- the charter school is in compliance with Section 1724-A(c) of the Law³⁶ requiring that all employees be enrolled in the Public School Employees' Retirement System unless at the time of filing the charter school application the sponsoring school district or the board of trustees of the charter school has a retirement plan that covers the employees or the employees are currently enrolled in another retirement program; and

³¹ 24 P.S. §§ 11-1109 and 12-1209.

³² 24 P.S. § 17-1724-A(b).

³³ 24 P.S. § 17-1715-A (9).

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

³⁵ 22 Pa. Code, Chapter 11.

³⁶ 24 P.S. § 17-1724-A(c).

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION (Continued)

- the charter school submitted its annual reports assessing whether or not it met the goals of its charter to DE as required by Section 1728-A of the Law.³⁷

However, we determined that the Crispus Attucks Youthbuild Charter School did not comply with other applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, as noted in the six findings listed below. Additionally, we report on an issue of interest in the observation. The findings, observation and recommendations were reviewed with representatives of the Crispus Attucks Youthbuild Charter School, and their comments have been included in this report.

Finding No. 1 – General Fund Deficit of \$261,833 as of June 30, 2007

The school’s general fund balance of \$90,091 as of June 30, 2003, decreased to a deficit fund balance of \$261,833 as of June 30, 2007, as follows:

<u>Year Ending June 30</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Expenditures (Over)/Under Revenues</u>	<u>Prior Period Adjustment</u>	<u>General Fund Surplus/ (Deficit)</u>
2003	\$ -	\$ -	\$ -	\$ -	\$ 90,091
2004	1,277,399	1,459,932	(182,533)	-	(92,442)
2005	1,387,515	1,362,688	24,827	-	(67,615)
2006	1,433,716	1,478,150	(44,434)	34,305	(77,744)
2007	1,653,989	1,838,078	(184,089)	-	(261,833)

Our audit found that the deficit can be attributed in large part to school personnel overestimating revenue for the school years ended June 30, 2004, 2005 and 2006 and overstating the beginning fund balance for the school year ended June 30, 2007.

For four consecutive school years, revenue fell short of budgeted revenue as follows:

<u>Year Ending June 30</u>	<u>Revenue Budgeted</u>	<u>Revenue Actual</u>	<u>Revenue Under budgeted</u>
2004	\$1,840,810	\$1,277,399	\$(563,411)
2005	1,593,826	1,387,515	(206,311)
2006	1,748,830	1,433,716	(315,114)
2007	1,655,108	1,653,989	(1,119)

³⁷ 24 P.S. § 17-1728-A.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Additionally, school personnel budgeted a beginning fund balance for school year 2006-07 of \$220,000, when the actual beginning fund balance was a deficit of \$77,744.

In addition to over-estimating the school's revenue projections, school personnel also over-estimated the school's expenditures as follows:

<u>School Year</u>	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
2004	\$1,788,410	\$1,459,932	\$328,478
2005	1,663,233	1,362,688	300,545
2006	1,725,132	1,478,150	246,982
2007	1,871,101	1,838,078	33,023

However, even though school personnel over-estimated the school's expenditures in each of the years reviewed, as noted in the above chart, actual expenditures still exceeded actual revenues, contributing to the school's deficit general fund balance.

School personnel cited several reasons for the general fund deficit, including the failure to receive an anticipated \$700,000 federal grant in 2005 and cut backs in state and federal programs and grants. School personnel also noted that the charter school has a lower student-to-teacher ratio than most schools, and further cited:

- increased health insurance costs;
- rising food costs exceeding reimbursements; and
- a contract with York County Children and Youth Services (YCCYS) which does not permit billing for days students are absent (see Finding No. 3).

Recommendations

The charter school board should:

- use actual historical data and projections when budgeting for state and federal revenues, as well as for expenditures;
- establish a process to monitor all future school expenditures to ensure that actual expenditures do not exceed actual available revenues; and
- develop and approve a plan that provides for the systematic reduction of the current general fund deficit.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Response of Management

Management provided the following response agreeing with our finding:

CAUSE:

1. Cutbacks in funding from [Housing and Urban Development] HUD, Title I, IDEA [Individuals With Disabilities Education Act] grant and Alternative Ed grant;
2. Increased costs for salaries and benefits to attract highly qualified staff and maintain a low student-teacher ratio;
3. Increased health care costs;
4. Rising food costs which are not covered by State reimbursement;
5. Because of the “unique” nature of the Crispus Attucks YouthBuild Charter School and the uncertainties associated with various funding from Federal and State agencies, it is difficult to estimate these annual revenues based on historical data. Thus, some years we had budgeted funding from Federal and State agencies and it was either reduced or not funded.

CORRECTIVE ACTION PLAN:

The Finance Committee of the Crispus Attucks YouthBuild Charter School is developing a Profit Improvement Plan to allow the school to operate profitably, eliminate its deficit, and begin to build cash reserves. The initial plans call for the following:

1. Re-negotiate current lease for facilities rental to decrease costs;
2. Request forgiveness of outstanding payable to Crispus Attucks Association for subcontracted services;
3. Re-negotiate current contract with Crispus Attucks Association for subcontracted services to decrease costs;
4. Increase student population to 90 [per trimester] to provide additional revenue;
5. Develop a plan to obtain additional funding via a combination of grants, contributions, and fundraising events.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

6. Review all expense items in budget and make adjustments as deemed appropriate, without negatively impacting the students and the school; and
7. Consider offering a summer school session to provide additional revenue.

Finding No. 2 – Certification Irregularities and Failure to Comply with the 75 Percent Certified Staff Requirement of the Charter School Law

Our audit of professional employees' certification and assignments for the period July 1, 2003 through December 11, 2007, was performed to determine compliance with the requirements of the Charter School Law and the Department of Education's (DE) Bureau of School Leadership and Teacher Quality's (BSLTQ), Certification and Staffing Policies and Guidelines (CSPG). Our audit found certification irregularities for the school years of our audit scope, 2003-04 through 2007-08. We further noted that the charter school failed to comply with the 75 percent certified staffing requirement of the Charter School Law.

Certification Irregularities

Our review of professional employees' certificates and assignments found the following:

- one individual certified in Social Studies and one individual certified in Mathematics were assigned additional duties, from September 2007 to current, that require principal certification;
- one individual assigned as a Construction Manager did not have the required certification for this assignment from March 2004 to current;
- four individuals assigned as Construction Trainers did not have the required certification for this assignment;
- one individual assigned as a Case Manager II for the 2007-08 school year and a Case Manager for the 2003-04 through 2006-07 school years did not have the required certification for these assignments;
- four individuals assigned as Case Managers did not have the required certification for this assignment;

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

- one individual assigned as a Special Programs Facilitator for the 2003-04, 2004-05, 2005-06 and 2007-08 school years and a Career Coordinator/Community Liaison for the 2006-07 school year did not have the required certification for these assignments;
- one individual assigned as Dean of Academics did not have the required certification for this assignment during the 2003-04 and 2005-06 school years;
- one individual assigned as a Leadership Counselor did not have the required certification for this assignment during the 2003-04 and 2004-05 school years;
- one individual assigned as an Assistant Director did not have the required certification for this assignment during the 2003-04 school year;
- one individual taught special education on a lapsed certificate from March 2004 through June 2004;
- one individual taught Spanish without certification from September 2005 to current;
- one individual taught Art/Career Development from September 2004 through February 2005 without certification;
- one individual taught cooperative vocation/special education from December 2003 through June 2005 without certification;
- one individual taught Pre-Youthbuild without certification from December 2003 through June 2004, and from September 2004 through December 2004; and
- one individual taught Science from September 2007 to current without certification.

Information pertaining to the certificates and assignments was submitted to BSLTQ for its review. BSLTQ confirmed the irregularities, which impacted negatively on the charter school's compliance with the 75 percent certified staff requirement of the Charter School Law.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Failure to Comply with the 75 Percent Certified Staffing Requirement of the Charter School Law

The Charter School Law provides, in part, that “at least seventy-five per centum of the professional staff members of a charter school shall hold appropriate State certification.”³⁸

Our review of the charter school’s professional staff and their Pennsylvania teaching certification found certification irregularities as noted previously in this finding. Based on BSLTQ’s confirmation of the irregularities, the percentage of properly certified professional staff was as follows:

	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>
Total Professional Employees	15	14	14	15	21
Employees with Irregularities	11	8	8	11	15
Employees Properly Certified	4	6	6	4	6
Percent Certificated	27%	43%	43%	27%	29%

The lack of properly certified teachers could result in the charter school’s students not receiving the quality education to which they are entitled. In addition, noncompliance with the requirements of the Charter School Law may force a chartering school district to revoke a charter because the charter school has not fulfilled its obligations by providing the required percentage of certified instructors.

Recommendations

The chief executive officer should ensure that:

- individuals are properly certified for their assignments; and
- individuals cited in this finding obtain proper certification or are assigned to positions for which they are properly certified.

The board, in order to ensure compliance for all subsequent years, should establish review procedures to ensure that:

- at least 75 percent of the professional employees are properly certified for their assigned positions, for the entire school year, in compliance with the Charter School Law and the CSPGs; and
- administrative personnel are provided with sufficient training in order to understand and manage certification requirements as defined by the Charter School Law and the CSPGs.

³⁸24 P.S. § 17-1724-A(a).

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

Response of Management

Management provided the following written response disagreeing with the finding:

1. Based on our analysis of the job descriptions and the certification requirements, we do not believe the following positions require certification: *[Note: We have removed the names of individuals included in management's response below.]*
 - . Construction Trainer
 - . Construction Trainer
 - . Case Manager
 - . Case Manager
 - . Case Manager
 - . Special Programs Facilitator
 - . Career Coordinator/Community Liaison
 - . Dean of Academics
 - . Construction Trainer
 - . Leadership Counselor
 - . Assistant Director
 - . Case Manager
 - . Case Manager
 - . Construction Trainer

2. The following are no longer on staff and at the time of employment we thought all certification issues had been resolved:
 - . [Individual] had a certification which we believe qualified her to teach Special Education;
 - . [Individual] was certified in Counseling. [She] acted as the Facilitator for the Pre-YouthBuild program, which is a development program rather than an academic program and certification in any area is sufficient; and
 - . [Individual] was certified in Social Studies. [She] acted as the Facilitator for the Pre-YouthBuild program, which is a development program rather than an academic program and certification in any area is sufficient.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 (Continued)

3. Neither [the] Spanish Teacher, nor [the] Science Teacher, had the necessary certifications for their positions. We are currently in the process of obtaining an emergency certifications for [the Spanish teacher] while she completes the full certification process; [the science teacher] has since resigned her position from the Crispus Attucks YouthBuild Charter School;
4. Management recognizes the certification issues from 2003-2007, however we plan to appeal the ruling by PDE concerning certification for construction trainees and case managers;
5. Currently Crispus Attucks YouthBuild Charter School has 77% certified staff for its teaching staff for 2008-2009, with only our Spanish Teacher needing to pass the Praxis exam; and
6. In addition, we have a planned program for certification of our Construction Manager.

Auditor's Conclusion

As noted in the body of this finding, DE's BSLTQ confirmed the irregularities cited; therefore, the finding will stand as written. Any further disagreement on the part of the charter school must be addressed to DE.

Finding No. 3 – Purchase of Service Agreement Between the Charter School and York County Children and Youth Services Violates Provisions of the Charter School Law

Our audit of the charter school's membership, attendance and tuition billing records found that the charter school was inappropriately accepting students from York County Children and Youth Services (YCCYS) and billing them directly. The charter school and YCCYS negotiated a "Purchase of Service Agreement" (PSA) for the 2005-06, 2004-05 and 2003-04 school years; during those years the charter school accepted 23, 29 and 42 students, respectively, from YCCYS. The PSA called for the charter school to bill YCCYS for actual days attended by YCCYS students at daily rates of \$71.22, \$69.82 and \$69.82, respectively. In addition, our review of the charter school's membership reports to DE for the three school years audited found that neither attendance nor membership data for YCCYS students was included in end-of-year reports.

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Finding No. 3 (Continued)

The Charter School Law provides, in pertinent part:

For non-special education students, the charter school shall receive for each student enrolled no less than the budgeted total expenditures per average daily membership of the prior school year, . . . minus the budgeted expenditures of the district of residence for nonpublic school programs; adult education programs; community/junior college programs; student transportation services; for special education programs, facilities acquisition, construction and improvement services; and other financing uses, . . . as provided in the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems established by the department. **This amount shall be paid by the district of residence of each student.**³⁹

The PSA between the charter school and YCCYS states that the county, not the resident school district, will pay the charter school for the days students attend the charter school. This payment agreement violates the provisions of Section 17-1725-A(a)(2) because it is in direct conflict with the Charter School Law.

Furthermore, the charter school's failure to report the YCCYS students' attendance and membership data to DE interferes with that agency's ability to accurately budget charter school funding. For example, DE's annual budget projects funding for charter schools based upon the number of students attending charter schools. However, because the charter school receives payments for YCCYS students directly from York County, their attendance goes unreported to DE. As a result, the school districts and the charter school received less funding in their education budgets than they would have if these students had been included.

³⁹ 24 P.S. § 17-1725-A(a)(2) (emphasis added).

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Finding No. 3 (Continued)

Likewise, the charter school and YCCYS place the resident school districts in jeopardy of forfeiting their funding because the Charter School Law requires that the resident school districts pay a charter school for any of their students attending the charter school. The Charter School Law provides, in pertinent part:

Payments shall be made to the charter school in twelve (12) equal monthly payments, by the fifth days of each month, within the operating school year. A student enrolled in a charter school *shall* be included in the average daily membership of the student's district of residence for the purpose of providing basic education funding payments and special education funding pursuant to Article XXV [referring to reimbursements by the Commonwealth and between school districts.] If a school district fails to make a payment to a charter school . . . , the secretary [of Education] shall deduct the estimated amount . . . from any and all State payments made to the district. . . .⁴⁰

The PSC provides, in pertinent part:

(a) The Department of Education *shall* order the forfeiture of three hundred dollars (\$300) per days by a school district, charter school . . . that does not submit its annual financial report and annual budget to the Department of Education within thirty (30) days of the submittal date established by the Department of Education. The forfeiture shall continue until a report and annual budget *that meet established criteria* are submitted. The Department of Education shall deduct the amount of the forfeiture from any and all State payments made to the school district [or] charter school. . . .

(b) The Department of Education *shall* order the forfeiture of three hundred dollars (\$300) per day by a school district [or] charter school . . . that does not submit its pupil membership/child accounting reports within thirty (30) days of the submittal date established by the Department of Education. The forfeiture shall continue until a report that meets established criteria is submitted. The Department of Education shall deduct the amount of the forfeiture from any and all State payments made to the school district [or] charter school. . . .⁴¹

⁴⁰ 24 P.S. § 17-1725-A(a)(5) (emphasis added).

⁴¹ 24 P.S. § 25-2552.1 (emphasis added).

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Finding No. 3 (Continued)

Because YCCYS is paying the charter school for the daily attendance of students instead of the charter school reporting pupil membership to DE, the PSA has placed the resident school districts in jeopardy of not only receiving inadequate funding, but also being penalized for not providing funds to the charter school. The charter school is in jeopardy of being penalized as well because it is providing inaccurate pupil membership reports to DE.⁴²

Recommendations

The charter school board should:

- discontinue the PSA with YCCYS as of the beginning of the next school year; and
- notify YCCYS personnel that they must make necessary arrangements to enroll any students that they wish to ultimately place in the charter school in the students' respective resident school districts. The actual enrollment of the students at the charter school should then be completed by the particular student's resident school district as required by the Charter School Law.

Charter school personnel should ensure that membership data for all students enrolled at the school is reported to DE on end-of-year reports.

Response of Management

Management provided the following response agreeing with the finding:

We were not aware that we were in violation of the provisions of the Charter School law. Upon notification, we will discontinue the procedure of accepting youth from the County of York Children and Youth Services and billing them. All youth will be billed directly to the school district in which they reside.

Auditor's Conclusion

We are pleased that the charter school's management recognizes its violation of the Charter School Law and the importance of complying with all of its provisions. It must also be noted that we are hopeful that DE, which has been copied on this report, will send the charter school's management notification of this violation in the very near future so that the management will be able to discontinue its practice of accepting and billing for youth from the YCCYS as soon as possible. The integrity of not only the intention of the Charter School Law, but also of the law's funding mechanism depend on DE's prudent supervision of this matter.

⁴² Because the Charter School is receiving funds from the County and not reporting pupil membership to the Department of Education, the Charter School's annual financial and budget reports may also be faulty, thus risking further penalty.

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Finding No. 4 – Inaccurate Reporting of Membership Data and Tuition Billing Errors Resulted in Net Over-billings to Districts of \$87,648

Our audit of documentation supporting pupil membership data submitted to DE for the 2005-06, 2004-05, and 2003-04 school years found errors in membership days reported to DE. These errors, combined with tuition billing errors, resulted in net over-billings to districts of \$87,648.

Child accounting guidelines and instructions require the accurate reporting of pupil membership days, because the days are a major factor used by DE to calculate various subsidies and reimbursements at the sending school districts. Pupil membership is also used by charter school personnel to prepare bills that are submitted to students' resident school districts for payment. As a result, membership and tuition billing errors affected the amounts charged to those districts.

The charter school educates students from York County school districts and bills tuition to those districts for their students. In addition, the charter school contracts with York County Children and Youth Services (YCCYS) to provide educational services to students that are placed in the charter school by court order. Tuition for students placed by YCCYS was paid for by YCCYS, not by the students' school district of residence (see Finding No. 3). In accordance with the contract between the charter school and YCCYS, tuition was paid only for students' days of attendance and not membership days (membership days are to include all days students are enrolled, not just days of physical attendance).

Membership Errors

When we requested membership data to begin the audit, charter school personnel could not locate any membership lists showing the enrollment dates and the membership days to support the data reported to DE. As a result, they had to prepare membership lists based on other documentation in their files. The data provided on these membership lists did not agree with the pupil membership data reported to DE for the 2005-06, 2004-05, or 2003-04 school years:

<u>District</u>	<u>2005-06</u>			<u>2004-05</u>		
	<u>Membership Days Reported</u>	<u>Audited</u>	<u>(Over)/ Understated</u>	<u>Membership Days Reported</u>	<u>Audited</u>	<u>(Over)/ Understated</u>
Central York	307	673	366	327	128	(199)
Dallastown Area	408	168	(240)	-	64	64
Dover Area	184	184	-	197	20	(177)
Eastern York	-	-	-	59	19	(40)
Red Lion Area	184	74	(110)	64	-	(64)
South Eastern	184	184	-	-	-	-
Southern York County	-	-	-	-	65	65
Spring Grove Area	11	17	6	180	42	(138)
West York Area	406	429	23	241	409	168
York City	12,538	10,057	(2,481)	11,537	11,749	212
York Suburban	-	-	-	182	255	73
YCCYS	-	1,771	1,771	-	1,152	1,152
Adult Learners	-	64	64	-	-	-
TOTALS	<u>14,222</u>	<u>13,621</u>	<u>(601)</u>	<u>12,787</u>	<u>13,903</u>	<u>1,116</u>

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Finding No. 4 (Continued)

<u>District</u>	<u>2003-04</u>		
	<u>Membership</u>		
	<u>Days</u>		<u>(Over)/</u>
	<u>Reported</u>	<u>Audited</u>	<u>Understated</u>
Central York	235	176	(59)
Dallastown Area	3	4	1
Dover Area	286	255	(31)
Eastern York	324	325	1
Red Lion Area	151	91	(60)
South Eastern	-	-	-
Southern York County	-	-	-
Spring Grove Area	275	216	(59)
West York Area	431	574	143
York City	14,516	11,595	(2,921)
York Suburban	147	96	(51)
YCCYS	-	2,488	2,488
Adult Learners	-	-	-
TOTALS	<u>16,368</u>	<u>15,820</u>	<u>(548)</u>

The lack of training and knowledge of the charter school personnel involved in the child accounting process caused the membership errors.

Our review of the data contained in the membership lists created by charter school personnel, and the supporting documentation, also found that charter school personnel:

- did not report membership to DE for the 2005-06, 2004-05, and 2003-04 school years for students placed by YCCYS and for an adult learner in 2005-06, because they did not know how to report this membership data (Please see Finding 3);
- did not accurately report on the membership list data for students who were in regular education for part of the year and special education for part of the year for the 2005-06, 2004-05, and 2003-04 school years; membership for these students was listed as being in regular education or in special education for the entire year;
- did not accurately report on the membership list data for students who were enrolled for part of the year by YCCYS and part of the year by their resident school district for the 2005-06, 2004-05, and 2003-04 school years; membership for these students was listed on the membership list as being educated by YCCYS or by the resident school district for the entire year (Please see Finding No. 3);

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Finding No. 4 (Continued)

- classified student membership as special education for periods of enrollment when students were not covered by an Individual Education Plan (IEP) for the 2005-06, 2004-05, and 2003-04 school years;
- reported student membership for resident school districts when tuition was actually paid by YCCYS, or reported student membership for YCCYS when tuition was actually paid by the resident district, for the 2005-06, 2004-05, and 2003-04 school years (Please see Finding No. 3);
- did not accurately list the period of enrollment for the 2005-06 and 2004-05 school years;
- incorrectly calculated membership days for the 2005-06 school year;
- included only the attendance days for some students, rather than membership days, in certain months for the 2005-06 membership list;
- did not calculate membership days for certain York City School District students when the district denied payment in 2005-06;
- did not include students and their membership days on the membership list for several students who were billed and paid for by their resident school districts or YCCYS for the 2004-05 and 2003-04 school years (Please see Finding No. 3);
- listed data for students with IEPs as regular education students, when they should have been reported as special education students for the 2004-05 and 2003-04 school years;
- misclassified the district of residence for five students on the membership list for the 2004-05 school year;
- listed data for a student with an unsigned IEP as a special education student for the 2004-05 school year;
- did not accurately report on the membership list data for students who were enrolled in two or more resident districts for the 2003-04 school year, but instead reported their data for only one district; and

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Finding No. 4 (Continued)

- did not remove students from membership in 2003-04 while they were in another placement (such as a detention center or prison).

Tuition Billing Errors

The errors in pupil membership and additional tuition billing errors resulted in (over) and under-billings, detailed as follows:

<u>School District</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>Totals</u>
Central York	\$ (400)	\$ (133)	\$ (8,895)	\$ (9,428)
Dallastown Area	18	(29)	156	145
Dover Area	(311)	(451)	(3,195)	(3,957)
Eastern York	-	260	(2,352)	(2,092)
Red Lion Area	(51)	-	(4,445)	(4,496)
South Eastern	430	-	-	430
Southern York County	-	(2,062)	-	(2,062)
Spring Grove Area	192	(15)	(9,583)	(9,406)
West York Area	(477)	(93)	982	412
York City	(7,041)	(31,988)	(18,984)	(58,013)
York Suburban	<u>-</u>	<u>(125)</u>	<u>944</u>	<u>819</u>
Totals	<u>\$(7,640)</u>	<u>\$(34,636)</u>	<u>\$(45,372)</u>	<u>\$(87,648)</u>

These tuition billing errors were caused by the membership errors noted previously and the following actions by charter school personnel:

- calculating daily tuition rates using incorrect school term lengths. For the 2005-06 school year, rates were calculated based on 180 days; the actual school term was 184 days. For the 2004-05 school year, rates, except for the West York Area School District (WYASD), were based on a 180 day term; the actual school term was 182 days. WYASD's rate was based on a 183-day term. For the 2003-04 school year, WYASD's daily rate was based on 183 day term; the actual school term was 180 days;
- inadequately following-up on students for whom payment was denied in 2005-06 and 2003-04 due to deficient documentation or other unknown reasons. As a result, amounts billed were never collected;

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Finding No. 4 (Continued)

- allowing payment to be denied for one student in 2005-06 and one student in 2003-04 because the students were not age 17; however, the school's charter allows students to attend between the ages of 16 and 21;
- failing to bill any districts or YCCYS for several students shown on the membership list for the 2004-05 and 2003-04 school years (Please see Finding No. 3);
- using incorrect daily tuition rates for one district in 2004-05 and for two districts in 2003-04;
- failing to give credit for amounts previously paid in 2004-05 and 2003-04 for several students when their classification was changed from regular education to special education or from special education to regular education;
- using an incorrect daily tuition rate when billing one student's membership for one month in 2004-05;
- billing membership days to the resident districts and attendance days to YCCYS for 20 students for the 2003-04 school year, resulting in a duplication of billing (Please see Finding No. 3);
- failing to bill the correct district for one student in 2003-04, after another district notified charter school personnel regarding the correct district for that student;
- failing to follow-up to determine why resident districts made certain adjustments to tuition bills for 2003-04;
- billing resident districts for only 178 of the 180 days for full year students for the 2003-04 school year; and
- failing to bill for student membership for the same dates as shown on the membership list (i.e. billed membership after the withdrawal date).

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Finding No. 4 (Continued)

Recommendations

Charter school personnel should:

- prepare and maintain membership lists for each school year detailing students' names, enrollment and withdrawal dates, resident district, classification as either a regular or special education student, membership days, etc., that support the child accounting data submitted to DE;
- develop procedures to ensure that the membership lists are complete and accurate;
- contact DE to determine how membership days of students educated for the YCCYS are to be reported;
- do not combine periods of enrollment under different classifications (i.e. special education and regular education) or under different districts (e.g. YCCYS and the resident school district);
- ensure that students hold an IEP for the period of time they are reported as special education students;
- ensure that membership day calculations are based on membership days, not attendance days;
- ensure that follow-up is completed for all students for whom payment is denied to ensure that membership days are accurate and payment is received;
- ensure that students are withdrawn from membership when the charter school is notified that a student is in another placement (such as a detention center or prison);
- calculate tuition rates using the actual school term completed and ensure calculations are accurate;
- reconcile tuition bills to resident districts with membership records in order to ensure that resident districts have been billed the appropriate days of membership for all of their students;

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Finding No. 4 (Continued)

- ensure, if payment is made and a student's classification is corrected, credit is given to the district billed in error for amounts previously paid;
- ensure that any adjustment made by a resident district is followed-up to ensure that the adjustments are accurate;
- refund over-payments and bill districts for amounts under-paid as detailed in this finding; and
- review subsequent years' child accounting reports and, if errors are noted, submit revised reports.

Response of Management

Management provided us with the following response agreeing with the finding:

CAUSE:

Although we are in agreement with the auditor findings we would like to provide the following explanations.

1. During the period under audit, there have been numerous personnel changes; because of these changes, we are uncertain as to why some of the discrepancies occurred and we could not locate all required documentation. Because of this, the current staff had to reconstruct many of these records based on the information they were able to locate; had we been able to locate all the records as requested by the auditors, we believe any billing discrepancies would have been minimal. We also contacted several other schools/agencies for student records, but they were not able to locate the records either;
2. Although we agree that some billing discrepancies occurred, we are unable to verify the accuracy of the \$87,648.00 as reported by the auditors. During the audit we were unable to locate various documentation; had we been able to locate this documentation, we believe any discrepancies would have been minimal. We also believe that proper and complete documentation was in place at the time the billings were completed, as is evidenced by the fact that the school districts paid the Charter School for the students;

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Finding No. 4 (Continued)

3. To the best of our knowledge, we believe some of these discrepancies were due to a lack of understanding of the requirements for annual reconciliations of membership, attendance, and billings.

CORRECTIVE ACTION PLAN:

In order to improve upon our procedures and eliminate future billing discrepancies, we have implemented the following steps:

1. A monthly reconciliation will be prepared for membership, attendance, and billings and any discrepancies will be resolved promptly;
2. Any discrepancies in payments received from the various school districts will be reviewed and follow up made promptly;
3. Any requests for additional documentation will be reviewed and follow up made promptly;
4. An annual school calendar will be maintained by the Charter School and an annual reconciliation will be prepared for actual attendance days vs. actual billing days and adjustments made as required.
5. A monthly reconciliation will be prepared for all special ed students to ensure that a complete IEP is in the student file prior to the billing for special education. The individuals responsible for the IEP process and the billing process have established a system to ensure that no student is billed at the special ed students all documentation is in the file;
6. We recently installed a new software package that will improve our recording of membership, attendance, and billing; and
7. We are planning on extensive, on-going training of our staff in order to be in compliance with all membership, attendance and billing issues.

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Finding No. 4 (Continued)

Auditor's Conclusion

We are pleased that management has initiated a corrective action plan in response to our finding. The above response repeatedly makes references to the fact that management was unable to locate the documentation that management needed to verify our calculation of billing discrepancies. This points to a lack of adherence to good record keeping practices and a lack of thoroughness in making required annual reconciliations of membership, attendance, and billings. We note that the \$87,648 figure was entirely based on the records provided by the auditee. In addition, the fact that districts paid tuition bills only demonstrates that the districts paid what the charter school billed, not that the tuition bills were correct and documentation was in place.

Finding No. 5 – Members of the Board of Trustees Failed to File Statements of Financial Interests in Violation of the Public Official and Employee Ethics Act

Our audit of charter school records for the calendar years ended December 31, 2006, 2005, 2004 and 2003 found that all twelve members of the Crispus Attucks Charter School Board of Trustees, plus the chief executive officer and dean of academics, failed to file their annual Statements of Financial Interests with the State Ethics Commission for some period covered in this audit report. Additionally, 2 of the 12 board members failed to file their Statements of Financial Interests on time for the 2006 calendar year.

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

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), requires all candidates for public office, public officials and certain public employees to annually complete a Statement of Financial Interests for the preceding calendar year, no later than May 1st of each year they hold their positions and the year after leaving such positions.⁴³

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

⁴³ 65 Pa.C.S. § 1101.

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Finding No. 5 (Continued)

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

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .⁴⁴

Likewise, Section 1109(b) of the Ethics Act provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.⁴⁵

Finally, Section 1109(f) of the Ethics Act provides, in pertinent part, that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.⁴⁶

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

Recommendations

The board of trustees should:

- seek the advice of its solicitor in regard to the board of trustees' responsibility when administrators and members fail to file Statements of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

⁴⁴ 65 Pa.C.S. § 1104(d).

⁴⁵ 65 Pa.C.S. § 1109(b).

⁴⁶ 65 Pa.C.S. § 1109(f).

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Finding No. 5 (Continued)

Response of Management

Management provided the following response agreeing with the finding:

CAUSE:

1. We were unaware of the requirement of the filing of the Statement for both the Chief Executive Officer and Dean of Academics;
2. Because of changes in both staff and Board members, the timely filings of these Statements were not completed.

CORRECTIVE ACTION PLAN:

1. The Chief Executive Officer has assigned the timely filing of the Statements of Financial Interest to her Executive Administrative Assistant who will obtain all completed forms no later than March 15 of each year and maintain them in a locked filing cabinet;
2. Whenever a new Board member is appointed or a new Administrative staff is employed who is required to complete a Statement of Financial Interest, the Executive Administrative Assistant will obtain a Statement within thirty (30) days;
3. All completed Statements of Financial Interest will be forwarded to the Business Manager for review; and
4. Statements are on file, as required, for current Board members.

Finding No. 6 – Failure to Obtain Memorandum of Understanding

Our audit of the charter school's records, conducted on December 10, 2007, found that the school did not have a Memorandum of Understanding (MOU) with the City of York Police Department (CYPD). As a result of our review, the charter school's administration contacted the CYPD and an MOU was signed on February 8, 2008.

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Finding No. 6 (Continued)

Section 1303-A(c) of the PSC provides:

All school entities shall develop a memorandum of understanding with local law enforcement that sets forth procedures to be followed when an incident involving an act of violence or possession of a weapon by any person occurs on school property. Law enforcement protocols shall be developed in cooperation with local law enforcement and the Pennsylvania State Police.⁴⁷

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

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

The charter school's administration was not aware of DE's Basic Education Circular and the MOU format contained within; therefore, an MOU had never been obtained.

The failure to obtain and update an MOU with the local law enforcement agency could have resulted in a lack of cooperation, direction, and guidance between district employees and law enforcement if an incident occurred on school property, at any school sponsored activity, or any public conveyance providing transportation to or from a school or school sponsored activity. This internal control weakness could have had an impact on law enforcement notification and response, and ultimately the resolution of a problem situation.

We commend the charter school's administration and CYPD for their immediate action in resolving this issue.

Recommendations

The charter school board should require the administrators to review and re-execute the MOU between the charter school and the CYPD every two years.

⁴⁷24 P.S. § 13-1303-A(c).

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Finding No. 6 (Continued)

Response of Management

Management agreed with the finding and noted the following:

We obtained several documents which we believed met the required criteria; however, that was incorrect. We will obtain the required Memorandum of Understanding as soon as possible.

Auditor's Conclusion

Management's response was made as a result of our initial review conducted December 10, 2007, which found no MOU was completed. As noted in this finding, an MOU was subsequently signed with the CYPD on February 8, 2008.

Observation – Unmonitored Vendor System Access and Logical Access Control Weaknesses

The Crispus Attucks Youthbuild Charter School uses software purchased from an outside vendor for its critical student accounting applications. Additionally, the school's entire computer system, including all its data and the above software are maintained on the vendor's servers which are physically located at the vendor. The school has remote access into the vendor's network servers, with the vendor providing system maintenance and support.

Based on our current year procedures, we determined that a risk exists that unauthorized changes to the school's data could occur and not be detected because the school was unable to provide supporting evidence that they are adequately monitoring all vendor activity in their system. However, since the school has manual compensating controls in place to verify the integrity of the membership and attendance information in its database, that risk is mitigated. Attendance and membership reconciliations are performed between manual records and reports generated from the Student Accounting System.

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

Best practices in information technology (IT) security include: limiting access to authorized users; ensuring individual accountability for actions; managing vendor services; monitoring the system to ensure integrity of key databases and applications; regulating changes to software; restricting physical access; implementing and maintaining minimum environmental controls; and planning for contingencies.

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Observation (Continued)

During our review, we found the school had the following weaknesses as of March 20, 2008, over vendor access to the school's system:

1. The school does not have evidence to support they are generating or reviewing monitoring reports of user access and activity on the system (including vendor and school employees). There is no evidence to support that the school is performing any procedures in order to determine which data the vendor may have altered or which vendor employees accessed their system;
2. The vendor has unlimited access (24 hours a day/7 days a week) into the school's system;
3. The school does not have a fully executed maintenance agreement on file;
4. The school does not maintain proper documentation to evidence that terminated employees were removed from the system in a timely manner;
5. The school was unable to provide evidence that they require written authorization for adding, deleting, or changing an userID;
6. The school does not require written authorization prior to the updating/upgrading of key applications or changing user data;
7. The school does not have current information technology policies and procedures for controlling the activities of vendors/consultants, nor does it require the vendor to sign the school's Acceptable Use Policy;
8. The school's Acceptable Use Policy does not include provisions for privacy (e.g., monitoring of electronic mail), accountability (e.g., responsibilities of users, auditing, incident handling), authentication (e.g., password security and syntax requirements). Further, the employees are not required to sign the policy; and

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Observation (Continued)

9. The school has certain weaknesses in logical access controls. We noted that the school's system parameter settings do not require all users, including the vendor, to change their passwords every 30 days; to use passwords that are a minimum length of eight characters and include alpha, numeric and special characters; to maintain a password history (i.e., approximately ten passwords); to lock out users after three unsuccessful attempts and to log off the system after a period of inactivity (i.e., 60 minutes maximum).

Recommendations

We recommend that the school implement the following:

1. The school should generate monitoring reports (including firewall logs) of the vendor and employee access and activity on their system. Monitoring reports should include the date, time, and reason for access, change(s) made and who made the change(s). The school should review these reports to determine that the access was appropriate and that data was not improperly altered. The school should also ensure it is maintaining evidence to support this monitoring and review;
2. The school should only allow access to their system when the vendor needs access to make pre-approved changes/updates or requested assistance. This access should be removed when the vendor has completed its work. This procedure would also enable the monitoring of vendor changes;
3. The school should keep a copy of the fully executed, signed by both parties, maintenance agreement on file;
4. The school should maintain documentation to evidence that terminated employees are properly removed from the system in a timely manner;
5. The school should develop policies and procedures to require written authorization when adding, deleting, or changing an userID;
6. The upgrades/updates to the school's system should be made only after receipt of written authorization from appropriate school officials;

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Observation (Continued)

7. The school should establish separate information technology policies and procedures for controlling the activities of vendors/consultants and have the vendor sign this policy, or the school should require the vendor to sign the school's Acceptable Use Policy;
8. The school's Acceptable Use Policy should include provisions for privacy (e.g., monitoring of electronic mail), accountability (e.g., responsibilities of users, auditing, incident handling), authentication (e.g., password security and syntax requirements). Further, all employees should be required to sign this policy; and
9. The school should implement a security policy and system parameter settings to require all users, including the vendor, to change their passwords on a regular basis (i.e., every 30 days). Passwords should be a minimum length of eight characters and include alpha, numeric, and special characters. Also, the school should maintain a password history that will prevent the use of a repetitive password (i.e., last ten passwords), lock out users after three unsuccessful attempts and log users off the system after a period of inactivity (i.e., 60 minutes maximum).

Response of Management

Management agreed with the observation and provided the following response:

CAUSE:

We recently installed a new school software system and are in the process of training all staff and implementing all required procedures.

CORRECTIVE ACTION PLAN:

The following procedures will be authorized by the CEO, approved by the Board of Trustees, and implemented by the Charter School no later than September, 2008:

1. We will generate monitoring reports, including firewall logs. The monitoring reports will include the date, time, reason for access, changes made, and who made the changes. A systematic and timely review of the reports will be made by the Technology Director;

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Observation (Continued)

2. The Charter School will change the access system to allow only access for pre-approved or requested assistance;
3. The maintenance agreement has been executed and is on file with the Technology Director;
4. The CEO will advise the Technology Director about terminated employees; the Technology Director will review all files to ensure timely removal of said employees;
5. We will develop a policy requiring written authorization by the CEO to add, delete or change a userID;
6. We will develop a blanket statement for the vendor authorizing upgrades and changes;
7. We will have our vendor execute our Acceptable Use Policy;
8. We will have all employees sign our Acceptable Use Policy, which will include provisions for privacy, accountability, and authentication; and
9. We will implement a security policy with system parameter settings requiring all users, including the vendor, to change their password on a regular basis.



CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
APPENDIX II

[UNAUDITED]

Schedule of Local Revenue

The charter school reported local revenue for the years ended June 30, 2006, 2005 and 2004 as follows:

<u>LOCAL REVENUE</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Earnings on Investments	\$ 1,140	\$ 587	\$ -
Food Service			
Student Activities	2,313	1,761	
Contributions and Donations from Private Sources	12,661	227,302	27,583
Miscellaneous	10,800	9,978	7,171
Payments from Sending School Districts ⁴⁸			
Central York	26,561	8,980	15,684
Dallastown Area	8,243	2,725	-
Dover Area	14,299	3,499	16,508
Eastern York	-	699	16,012
Red Lion Area	3,435	173	9,699
South Eastern	11,173	-	-
Southern York County	-	4,181	-
Spring Grove Area	374	1,354	19,290
West York Area	18,139	14,225	19,114
York Suburban	-	11,392	3,066
York City	367,170	468,758	454,110
<u>TOTAL PAYMENTS</u>	<u>\$476,308</u>	<u>\$755,614</u>	<u>\$588,237</u>

⁴⁸ These dollar amounts represent actual payments made to the Crispus Attucks Youthbuild Charter School from the sending school districts.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
APPENDIX II

[UNAUDITED]

Schedule of Federal Revenue

The charter school reported federal revenue of \$852,257, \$465,312 and \$536,219, respectively, for the years ended June 30, 2006, 2005, and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>FEDERAL REVENUE</u>			
Unrestricted Federal Grants-in-Aid Direct – Federal Government	\$ 90,833	\$ -	\$ -
Capacity Building Grant	-	14,171	-
AMERICORPS	171,308	158,965	-
Charter School Dissemination Grant	-	-	50,000
Housing and Urban Development	412,662	140,525	276,947
DPW/Temporary Assistance for Needy Families	97,714	71,931	128,906
NCLB, Title I – Improved Academic Achievement (Disadvantaged)	57,818	60,800	60,852
NCLB, Title V, Promoting Informed Parental Choice and Innovative Programs	145	-	-
Child Nutrition Program	<u>21,777</u>	<u>18,920</u>	<u>19,514</u>
<u>TOTAL FEDERAL REVENUE</u>	<u>\$852,257</u>	<u>\$465,312</u>	<u>\$536,219</u>

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
APPENDIX III

[UNAUDITED]

Schedule of State Revenue

The charter school reported state revenue of \$105,151, \$166,589 and \$152,943, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>STATE REVENUE</u>			
Alternative Education	\$ 21,219	\$ 53,800	\$ 51,200
Rental and Sinking Fund Payments	22,248	15,968	21,545
Social Security and Medicare Taxes	28,326	34,349	17,790
Retirement	14,617	13,342	14,965
Other Program Subsidies/Grants:			
IDEA	18,741	45,418	18,839
South Central Workforce	-	3,712	-
DPW/Children & Youth	-	-	28,604
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL STATE REVENUE</u>	<u>\$105,151</u>	<u>\$166,589</u>	<u>\$152,943</u>

*Federal funds incorrectly reported as state revenue by the charter school.

CRISPUS ATTUCKS YOUTHBUILD CHARTER SCHOOL
APPENDIX IV

Description of State Revenue (Source: Pennsylvania Accounting Manual)

Alternative Education

Revenue received from the Commonwealth as subsidy for alternative education. Alternative education is specialized educational instruction and support services to students that must be removed from regular classrooms because of disruptive behavior.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved charter school debt obligations for which the Department of Education has assigned a lease number.

Social Security and Medicare Taxes

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

Retirement

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

Other Program Subsidies/Grants

Revenue received from the Commonwealth not specified elsewhere.

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This report was initially distributed to the chief executive officer of the charter school, the board of trustees, and the following:

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The Honorable Robert M. McCord
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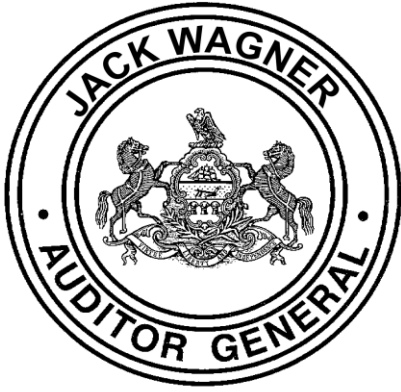
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