



**URBAN LEAGUE OF GREATER PITTSBURGH
CHARTER SCHOOL**

ALLEGHENY COUNTY, PENNSYLVANIA

PERFORMANCE AUDIT REPORT

AUGUST 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

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

Ms. Esther Bush, Board President
Urban League of Greater Pittsburgh
Charter School
327 North Negley Avenue
Pittsburgh, Pennsylvania 15206

Dear Governor Corbett and Ms. Bush:

We conducted a performance audit of the Urban League of Greater Pittsburgh Charter School (Charter School) to determine its compliance with applicable state laws, contracts, grant requirements, and administrative procedures. Our audit covered the period December 5, 2011 through April 24, 2012, except as otherwise indicated in the report. Additionally, compliance specific to state subsidies and reimbursements was determined for the school years ended June 30, 2010, 2009, 2008, and 2007. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit found that the Charter School complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except as detailed in the findings noted in this report. In addition, we identified one matter unrelated to compliance that is reported as an observation. A summary of the results is presented in the Executive Summary section of the audit report.

Our audit findings, observation, and recommendations have been discussed with the Charter School's management, and their responses are included in the audit report. We believe the implementation of our recommendations will improve the Charter School's operations and facilitate compliance with legal and administrative requirements.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale".

EUGENE A. DEPASQUALE
Auditor General

August 15, 2013

cc: **URBAN LEAGUE OF GREATER PITTSBURGH CHARTER SCHOOL** Board of Trustees

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Executive Summary

Audit Work

The Pennsylvania Department of the Auditor General conducted a performance audit of the Urban League of Greater Pittsburgh Charter School (Charter School). Our audit sought to answer certain questions regarding the Charter School's compliance with applicable state laws, contracts, grant requirements, and administrative procedures.

Our audit scope covered the period December 5, 2011 through April 24, 2012, except as otherwise indicated in the audit scope, objectives, and methodology section of the report. Compliance specific to state subsidies and reimbursements was determined for the 2009-10, 2008-09, 2007-08, and 2006-07 school years.

Charter School Background

The Charter School, located in Allegheny County, Pennsylvania, opened in August 1998. It was originally chartered on February 24, 1998, for a period of three years by the City of Pittsburgh School District. The Charter School's mission states: "Our mission is to provide superior education that will develop in our students' academic excellence, leadership skills, and social values that will enable them ultimately to become positive contributors to the community in which they live, and to society as a whole." During the 2009-10 school year, the Charter School provided educational services to 232 pupils from 6 sending school districts through the employment of 13 teachers, 12 full-time and part-time support personnel, and 3 administrators. The Charter School

received approximately \$2.8 million in tuition payments from school districts required to pay for their students attending the Charter School in the 2009-10 school year.

Adequate Yearly Progress

The Charter School made Adequate Yearly Progress (AYP) for the 2009-10 school year by meeting all AYP measures.

AYP is a key measure of school performance established by the federal No Child Left Behind Act of 2001 requiring that all students reach proficiency in Reading and Math by 2014. For a school to meet AYP measures, students in the school must meet goals or targets in three areas: (1) Attendance (for schools that do not have a graduating class) or Graduation (for schools that have a high school graduating class), (2) Academic Performance, which is based on tested students' performance on the Pennsylvania System of School Assessment (PSSA), and (3) Test Participation, which is based on the number of students that participate in the PSSA. Schools are evaluated for test performance and test participation for all students in the tested grades (3-8 and 11) in the school. AYP measures determine whether a school is making sufficient annual progress towards the goal of 100 percent proficiency by 2014.

Audit Conclusion and Results

Our audit found that the Charter School complied, in all significant respects, with applicable state laws, contracts, grant requirements, and administrative procedures, except for two compliance-related matters reported as findings. In addition, we identified one matter unrelated to compliance that is reported as an observation.

Finding No. 1: A Lack of Appropriate Internal Controls Prevented the Board of Trustees From Effectively Overseeing the Charter School's Operations. Our audit of the Charter School found that the Charter School lacked appropriate oversight of its operations, record keeping, and managerial activities as required by law (see page 10).

Finding No. 2: Failure to Develop a Memorandum of Understanding with Local Law Enforcement. Our audit of the Charter School's records found that the Charter School failed to enter into a Memorandum of Understanding with the local law enforcement agency having jurisdiction over school property, setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property as required by law (see page 15).

Observation: The Charter School Lacks Sufficient Internal Controls Over Its Student Data. Our review of the Charter School's controls over data integrity found that internal controls need to be improved (see page 17).

Status of Prior Audit Findings and Observations. There were no findings or observations included in our prior audit report.

Background Information on Pennsylvania Charter Schools

Description of Pennsylvania Charter Schools:

Charter and cyber charter schools are taxpayer-funded public schools, just like traditional public schools. There is no additional cost to the student associated with attending a charter or cyber charter school. Charter and cyber charter schools operate free from many educational mandates, except for those concerning nondiscrimination, health and safety, and accountability.

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

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

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

Pennsylvania Charter School Law

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

The CSL 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 charter 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 with the consent of a majority of all of the members of the Senate.⁷

¹ 24 P.S. § 17-1702-A.

² *Id.*

³ 24 P.S. § 17-1717-A (a).

⁴ *Id.* § 17-1717-A (c).

⁵ *Id.* § 17-1717-A (d).

⁶ *Id.* § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

With certain exceptions for charter schools within the School District of Philadelphia, initial charters are valid for a period of no less than three years and no more than five years.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

Act 88 of 2002 amended the CSL to distinguish cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means, from brick-and-mortar charter schools that operate in buildings similar to school districts.¹⁰ Unlike brick-and-mortar charter schools, cyber charter schools must submit their application to the Pennsylvania Department of Education (PDE), which determines whether the application for a charter should be granted or denied.¹¹ However, if PDE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board.¹² In addition, PDE is responsible for renewing and revoking the charters of cyber charter schools.¹³ Cyber charter schools that had their charter initially approved by a local school district prior to August 15, 2002, must seek renewal of their charter from PDE.¹⁴

Funding of Pennsylvania Charter Schools:

Brick-and-mortar charter schools and cyber charter schools are funded in the same manner, which is primarily through tuition payments made by school districts for students who have transferred to a charter or cyber charter school.

The Charter School Law requires a school district to pay a per-pupil tuition rate for its students attending a charter or cyber charter school.

Pennsylvania Charter School Funding

The Commonwealth bases the funding for charter schools on the principle that the state's subsidies should follow the students, regardless of whether they choose to attend traditional public schools or charter schools. According to the CSL, the sending school district must pay the charter/cyber charter school a per-pupil tuition rate based on its own budgeted costs, minus specified expenditures,

⁸ 24 P.S. § 17-1720-A.

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

¹⁰ 24 P.S. §§ 17-1703-A, 17-1741-A *et seq.*

¹¹ 24 P.S. § 17-1745-A(d).

¹² *Id.* § 17-1745-A(f)(4).

¹³ 24 P.S. § 17-1741-A(a)(3).

¹⁴ 24 P.S. § 17-1750-A(e).

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

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

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

¹⁵ See 24 P.S. § 17-1725-A(a)(2).

¹⁶ See *Id.* §§ 17-1725-A(a)(3); 25-2509.5(k).

¹⁷ See 24 P.S. § 17-1725-A(a)(5).

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

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

Audit Scope, Objectives, and Methodology

Scope

What is a school performance audit?

School performance audits allow the Pennsylvania Department of the Auditor General to determine whether state funds, including school subsidies, are being used according to the purposes and guidelines that govern the use of those funds. Additionally, our audits examine the appropriateness of certain administrative and operational practices at each local education agency (LEA). The results of these audits are shared with LEA management, the Governor, the Pennsylvania Department of Education, and other concerned entities.

Our audit, conducted under the authority of 72 P.S. § 403, is not a substitute for the local annual audit required by the Public School Code of 1949, as amended. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

Our audit covered the period December 5, 2011 through April 24, 2012, except for the verification of professional employee certification which was performed for the period July 1, 2006 through March 31, 2012.

Regarding state subsidies and reimbursements, our audit covered the 2009-10, 2008-09, 2007-08, and 2006-07 school years.

For the purposes of our audit work and to be consistent with Pennsylvania Department of Education (PDE) reporting guidelines, we use the term school year rather than fiscal year throughout this report. A school year covers the period July 1 to June 30.

Objectives

What is the difference between a finding and an observation?

Our performance audits may contain findings and/or observations related to our audit objectives. Findings describe noncompliance with a statute, regulation, policy, contract, grant requirement, or administrative procedure. Observations are reported when we believe corrective action should be taken to remedy a potential problem not rising to the level of noncompliance with specific criteria.

Performance audits draw conclusions based on an evaluation of sufficient, appropriate evidence. Evidence is measured against criteria, such as laws and defined business practices. Our audit focused on assessing the Charter School's compliance with applicable state laws, contracts, grant requirements, and administrative procedures. However, as we conducted our audit procedures, we sought to determine answers to the following questions, which serve as our audit objectives:

- ✓ Was the Charter School in overall compliance with the Public School Code of 1949²⁰ (PSC) and the Charter School Law (CSL)?²¹
- ✓ Did the Charter School have policies and procedures regarding the requirements to maintain student health records, perform required health services, and keep accurate documentation supporting its annual health

²⁰ 24 P.S. § 1-101 *et seq.*

²¹ 24 P.S. § 17-1701-A *et seq.*

services report filed with the Pennsylvania Department of Health to receive state reimbursement?

- ✓ Did the Charter School receive state reimbursement for its building lease under the Charter School Lease Reimbursement Program, was its lease agreement approved by its Board of Trustees, and did its lease process comply with the provisions of the Public Official and Employee Ethics Act?²²
- ✓ Did the Charter School comply with the open enrollment and lottery provisions of the CSL?
- ✓ Did the Charter School provide the services required for its special education students through outside agencies and/or through properly certified professional staff with the required instructional hours and/or training?
- ✓ Did the Charter School's Board of Trustees and administrators comply with the CSL, the PSC, the Public Official and Employee Ethics Act, and the Sunshine Act?
- ✓ Were at least 75 percent of the Charter School's teachers properly certified, and did all of its noncertified teachers meet the "highly qualified teacher" requirements?
- ✓ Did the Charter School require its noncertified professional employees to provide evidence that they are at least 18 years of age, a U.S. citizen, and certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the Charter School?
- ✓ Did the Charter School accurately report its membership numbers to PDE, and were its average daily membership and tuition billings accurate?
- ✓ Did the Charter School have sufficient internal controls to ensure that the membership data it reported to PDE through the Pennsylvania Information

²² 65 Pa.C.S. § 1101 *et seq.*

Management System was complete, accurate, valid, and reliable?

- ✓ Did the Charter School comply with the CSL’s compulsory attendance provisions and, if not, did the Charter School remove days in excess of ten consecutive unexcused absences from the Charter School’s reported membership totals pursuant to the regulations?²³
- ✓ Did the Charter School take appropriate steps to ensure school safety?
- ✓ Did the Charter School require that all of its employees enroll in the Public School Employees’ Retirement System at the time of filing its charter school application as required by the CSL, unless the Board of Trustees had a retirement plan that covered the employees or the employees were already enrolled in another retirement program?
- ✓ Were there any other areas of concern reported by local auditors, citizens, or other interested parties which warrant further attention during our audit?

Methodology

What are internal controls?

Internal controls are processes designed by management to provide reasonable assurance of achieving objectives in areas such as:

- Effectiveness and efficiency of operations.
- Relevance and reliability of operational and financial information.
- Compliance with applicable laws, contracts, grant requirements, and administrative procedures.

Government Auditing Standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our results and conclusions based on our audit objectives.

The Charter School’s management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Charter School is in compliance with applicable laws, contracts, grant requirements, and administrative procedures. In conducting our audit, we obtained an understanding of the Charter School’s internal controls, including any information technology controls, as they relate to the Charter School’s compliance with applicable state laws, contracts, grant requirements, and administrative procedures that we consider to be significant within the context of our audit objectives. We assessed whether those

²³ 22 Pa. Code § 11.24.

controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

Our audit examined the following:

- Records pertaining to professional employee certification, state ethics compliance, special education, lease agreements, open enrollment, and student enrollment.
- Items such as board meeting minutes, pupil membership records, and IRS 990 forms.
- Tuition receipts and deposited state funds.

Additionally, we interviewed select administrators and support personnel associated with the Charter School's operations.

Findings and Observations

Finding No. 1

A Lack of Appropriate Internal Controls Prevented the Board of Trustees From Effectively Overseeing the Charter School's Operations

Criteria relevant to the finding:

Section 1716-A of the Charter School Law (CSL), 24 P.S. § 17-1716-A, requires the board of trustees of a charter school to exercise control over budgeting and operating procedures.

Section of 1732-A of the CSL, 24 P.S. § 17-1732-A, subjects charter schools to specified provisions of the Public School Code (PSC), including:

Section 518 of the PSC, 24 P.S. § 5-518 requires boards to retain financial records, including financial account books, bills, contracts, invoices, receipts, etc. for a period of not less than six years.

The Government Accountability Office's Standards of Internal Control in the Federal Government, (Washington D.C.: November 1999, pgs. 4-5) state that "Internal control . . . serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. . . . Internal control should provide reasonable assurance that the objectives of the agency are being achieved in the following categories: . . .

- Reliability of financial reporting, including: reports on budget execution, financial statements, and other reports for internal and external use."

Our audit of the Urban League of Greater Pittsburgh Charter School (Charter School) found inadequate internal controls that caused operational inefficiencies, poor record keeping, and a lack of important documentation. As a result, the Charter School's Board of Trustees (Board) and its management could not effectively oversee the Charter School's operations.

We identified the following deficiencies during our audit.

Important Knowledge Was Not Adequately Disseminated

Our audit revealed that only the Chief Executive Officer/Principal (CEO) had sufficient knowledge of the Charter School's operations and the location of its important documentation. The failure to disseminate this information among appropriate Charter School staff created significant operational inefficiencies and the chance that critical information could be lost if the CEO unexpectedly left the Charter School. For example, Charter School staff members were unable to readily locate the information we requested. Requests for documentation had to be made at least three times before it was provided, and the documents that were provided were often incorrect or incomplete, and could not be relied upon. Only by making information requests directly to the CEO, did we receive the correct information. Proper internal controls would have ensured that other Charter School staff knew the location of this important documentation.

Poor Record Keeping/Lack of Documentation

Our review of the Charter School's operations found repeated instances of poor record keeping and missing documentation, which prevented the Charter School's Board and its management from effectively overseeing its operations.

Criteria relevant to this section of the finding:

When enacting the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. §1101 *et seq.*, our General Assembly stated the following: “Because public confidence in government can best be sustained by assuring the people of the impartiality and honesty of public officials, this chapter shall be liberally construed to promote **complete** financial disclosure as specified in this chapter.” (See 65 Pa.C.S. § 1101.1(a)).

The Ethics Act requires all candidates for public office, public officials, and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions. (See 65 Pa.C.S. § 1104(a)).

Section 1104(d) of the Ethics Act, 65 Pa.C.S. §1104(d), 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. . . .”

Section 1104(e) of the Ethics Act, 65 Pa.C.S. §1104(e), states, in pertinent part:

“All statements of financial interests . . . shall be made available for public inspection. . . .”

The following are examples of these record keeping deficiencies:

Statements of Financial Interest: Our review found that the Charter School had incomplete Statements of Financial Interest (SFIs) for the calendar years 2006 through 2011. Specifically, the Charter School administrators and Board members failed to file or filed incomplete SFIs, as required by the Public Official and Employee Ethics Act (Ethics Act) ²⁴.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on their SFIs that could potentially create a conflict of interest with their public duties. SFIs are intended to provide those charged with governance, such as the board of trustees, with information about the existence of relationships between the charter school’s employees or board members and parties with whom the charter school transacts business. Moreover, when individuals from the charter school do not make required disclosures, the public cannot determine whether a conflict of interest exists. This in turn erodes the public’s trust.

Teacher Certification: Our review of teacher certification for the period July 1, 2006 through March 31, 2012, revealed that the Charter School’s management kept very poor teacher certification records. For example, the Charter School was unable to provide us with the exact number of professional personnel teaching in the Charter School for the above referenced time period. Instead, we were given emails of staff assignments. However, we could not determine the accuracy of this data. Also, teacher names were typed on paper without any certification or teaching assignment listed.

We were subsequently provided with Professional Personnel Lists and Highly Qualified Teachers Lists, which were incomplete and did not list all of the teachers in the Charter School from the 2009-10 school year to current, as requested.

²⁴ These Board members and administrators, including the CEO and all other employees of the Charter School are considered “public officials” under the Charter School Law and are subject to the Public Official and Employee Ethics Act. See 24 P.S. § 17-1715-A(11), (12).

Section 1105(a) of the Ethics Act, 65 Pa.C.S. §1105(a), which requires the filing of a statement of financial interest, states, in part:

“All information requested on the statement shall be provided to the best of the knowledge, information and belief of the person required to file and shall be signed under oath or equivalent affirmation.”

Section 1105(b) of the Ethics Act, 65 Pa.C.S. §1105(b), which specifies required information on a statement of financial interest form, includes requirements to list any office, directorship or employment of any nature whatsoever in any business entity and any financial interest in any legal entity engaged in business for profit.

Section 1109(b) of the Ethics Act, 65 Pa.C.S. §1109(b), provides 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, or both.

Criteria relevant to this section of the finding:

Section 17-1724-A(a) of the CSL, 24 P.S. § 17-1724-A(a), requires that “. . . [A]t least seventy-five per centum of the professional staff members of a charter school shall hold appropriate State certification.”

Section 7801(23) of the federal No Child Left Behind Act (NCLB), 20 U.S.C. § 6301 et. seq., requires that all teachers who teach core academic subjects in public schools be “highly qualified.”

“Highly qualified” teacher status applies to all charter school teachers of “core content” subjects at all grade levels, including noncertified teachers allowed at charter and cyber charter schools.

Further, the files of the professional personnel contained their criminal histories, but no teaching certificates. We requested the certificates of the teachers several times, but we never received them.

Without proper teacher information, management cannot ensure that the Charter School is in compliance with the Charter School Law (CSL), the Public School Code (PSC), Chapter 711 of the Pennsylvania Code (Chapter 711), and the Pennsylvania Department of Education’s (PDE) Bureau of School Leadership and Teacher Quality’s (BSLTQ) Certification and Staffing Policies and Guidelines (CSPG). Similarly, such poor teacher information makes it impossible for the Board to assess whether the Charter School’s management is properly executing the Board’s vision for providing quality academic services to its students.

Tuition: Due to a lack of accurate membership data and invoices, we could not verify the accuracy the Charter School’s tuition billings. Specifically, we could not trace the students’ names and their days attended each month in order to verify that the Charter School had charged the sending school districts the correct amount of tuition.

We determined that the Charter School’s tuition billing process was inadequate because it failed to include a determination as to the exact days that a student attended the Charter School. For example, the Charter School staff failed to consider the exact enrollment and/or withdrawal date in its tuition process, so charter school billings did not capture whether a student was enrolled in the Charter School for a full month or partial month.

Further, we found that the Charter School maintained inaccurate and incomplete classroom lists for students in grades 1 through 5, and no classroom lists for two kindergarten classes. Our review of the limited information provided to us revealed that the Charter School did not have all of its students listed on the tuition invoices, and students’ grade levels on the classroom lists did not match what was on the invoice. In some cases, we could not determine if the student’s name on the classroom list was the same name as the one listed on the tuition invoice.

With such poor documentation and record keeping, there is no way for the Charter School's management to verify that it is properly billing the Charter School's sending school districts. Moreover, based on our review of its classroom lists, the Charter School's management may not even know how many students are in its classes.

Without this basic information, it is impossible for the Charter School's Board to effectively determine whether management is meeting its academic and operational goals.

Under the Charter School Law, it is the responsibility of the Board to oversee the operations of the Charter School, including its budgeting and its operating procedures. Strong internal controls allow the Board to maintain proper oversight and control over the Charter School's operations. Internal controls are processes designed by management to provide reasonable assurance that a school is in compliance with laws, rules, acceptable accounting procedures, and sound business practices. For example, properly designed internal controls would have ensured that the Charter School maintained the necessary records to determine that it was in compliance with laws and regulations, such as the Ethics Act. Moreover, maintaining this documentation is critical to demonstrating that the Charter School is operating in accordance with its approved charter and that it is spending its public education dollars for their intended purpose.

We concluded that an absence of adequate internal controls created the operational inefficiencies, record keeping deficiencies, and lack of documentation identified in this finding. Moreover, the Charter School CEO's failure to properly disseminate important knowledge and the Charter School's failure to maintain sufficient documentation and record keeping prevented the Board from asserting proper control and oversight over the Charter School. In particular, the Board had no way of determining whether the Charter School's operations complied with applicable laws and requirements, its mission statement, its approved charter, and its own policies. Without proper oversight, the Charter School is susceptible to mismanagement, fraud, and abuse, and cannot assure it is efficiently and effectively operating in the best interest of the students and taxpayers.

Recommendations

The *Urban League of Greater Pittsburgh Charter School* should:

1. Develop appropriate internal controls to ensure that important knowledge is distributed to more than one member of the Charter School staff.
2. Develop internal controls to ensure all board members and administrators correctly complete and submit SFIs to the State Ethics Commission.
3. Send appropriate Charter School personnel to seminars for necessary training.
4. Set clear and defined duties for all personnel.
5. As necessary, hire knowledgeable personnel to complete the duties where deficiencies were noted in this finding.
6. Create a system of checks and balances to reconcile all tuition invoices, including student information, grade, days in session, and sending district information.
7. Create accurate student lists that can be verified monthly to days in session for billing purposes.
8. Keep all necessary data available for audit.
9. Maintain complete and accurate personnel files for all teachers, including a copy of all their teaching certificates.
10. Maintain an accurate staff listing that documents all professional staff in accordance with PDE requirements.

Management Response

Management waived its opportunity to respond to this finding.

Finding No. 2

Failure to Develop a Memorandum of Understanding with Local Law Enforcement

Public School Code and criteria relevant to this finding:

Section 13-1303-A(c) of the Public School Code, as amended November 17, 2010, provides, in part:

“ . . . each chief school administrator shall enter into a memorandum of understanding with police departments having jurisdiction over school property of the school entity. Each chief school administrator shall submit a copy of the memorandum of understanding to the office by June 30, 2011, and biennially update and re-execute a memorandum of understanding with local law enforcement and file such memorandum with the office on a biennial basis. . . . ”

The effective date of this amended provision was February 15, 2011. The “office” refers to the Office for Safe Schools within the Pennsylvania Department of Education. The term “biennially” means an event that occurs every two years.

Prior to enactment of additional Memorandum of Understanding requirements on November 17, 2010, all public schools were required to develop a memorandum of understanding with local law enforcement.

Our audit of the Urban League of Greater Pittsburgh Charter School’s (Charter School) records found that the Charter School failed to enter into a Memorandum of Understanding (MOU) between the Charter School and the police department having jurisdiction over school property, setting forth agreed upon procedures to be followed should an incident involving an act of violence or possession of a weapon occur on school property as required by law.

The failure to enter into a MOU with all pertinent police departments could result in a lack of cooperation, direction, and guidance between Charter School employees and the police departments if an incident occurs on school grounds, at any school-sponsored activity, or on any public conveyance providing transportation to or from a school or school-sponsored activity. Non-compliance with the statutory requirement to have a MOU could have an impact on police department notification and response, and ultimately, the resolution of a problem situation.

In addition, recently enacted amendments to the safe schools provisions of the Public School Code expand on the requirement to develop a MOU with local law enforcement. Now, beginning with the first filing deadline of June 30, 2011, public schools must biennially update and re-execute these MOUs and file them with the Pennsylvania Department of Education’s Office of Safe Schools on a biennial basis. Consequently, future failure to develop a MOU will result in non-compliance with additional MOU requirements enacted November 17, 2010.

On February 7, 2012, the Charter School had a signed MOU with its local law enforcement agency.

Recommendations

The *Urban League of Greater Pittsburgh Charter School* should:

1. Develop a MOU between the Charter School and all the police departments having jurisdiction over school property of the Charter School pursuant to the terms prescribed by law.

2. In consultation with the Charter School’s solicitor, review new requirements for MOUs and other school safety areas under the Public School Code to ensure compliance with amended safe schools provisions enacted November 17, 2010.

Management Response

Management waived its opportunity to respond to this finding.

Observation

The Charter School Lacks Sufficient Internal Controls Over Its Student Data

Criteria relevant to the finding:

Pupil membership classifications must be maintained and reported in accordance with the Pennsylvania Department of Education's (PDE) guidelines and instructions, since membership is a major factor in determining state subsidies and reimbursements. Beginning in 2009-10, PDE required that child accounting data be collected in a database called the Pennsylvania Information Management System (PIMS).

According to PDE's *PIMS User Manual*, all Pennsylvania local education agencies must submit data templates in PIMS to report child accounting data. PIMS data templates define fields that must be reported. Four important data elements from the Child Accounting perspective are: District Code of Residence; Funding District Code; Residence Status Code; and Sending Charter School Code. In addition, other important fields used in calculating state education subsidies are: Student Status; Gender Code; Ethnic Code Short; Poverty Code; Special Education; Limited English Proficiency Participation; Migrant Status; and Location Code of Residence. Therefore, PDE requires that student records are complete with these data fields.

The Pennsylvania Department of Education (PDE) bases all local education agencies' (LEA) state subsidy calculations on the student record data it receives in the Pennsylvania Information Management System (PIMS). PIMS is a statewide longitudinal data system or "data warehouse," designed to manage and analyze individual student data for each student served by Pennsylvania's Pre-K through Grade 12 public education systems.

PDE began calculating the LEA's state subsidy using the data that LEAs enter into PIMS beginning in the 2009-10 school year. Therefore, it is vitally important that the student information entered into this system is accurate, complete, and valid. LEAs must have strong internal controls in place to ensure the integrity of this data and to mitigate the risk of erroneous reporting. Without such controls, the LEA cannot be assured it receives the proper state subsidy.

Our review of the Urban League of Greater Pittsburgh Charter School's (Charter School) data integrity found internal controls need to be improved. As a result, these weak internal controls result in potentially inaccurate data. Specifically, our review found that:

1. Charter School personnel in charge of child accounting and PIMS reporting did not print out the required validation reports from the Charter School's vendor or from their Student Information System (SIS) after the data was uploaded to PIMS at the end of the 2009-10 school year. Consequently, the Charter School did not reconcile their SIS vendor membership reports with their PIMS reports. Charter School personnel attempted to print the 2009-10 reports from their SIS vendor membership software at the time of our audit. However, the data was not accurate, since the information had already been rolled over into the next school year. Without these reports, we could not verify the accuracy of the Charter School's child accounting data submitted to PIMS.

Additionally, according to the *Federal Information System Controls Audit Manual*, a business entity should implement procedures to reasonably assure that: (1) all data input is done in a controlled manner; (2) data input into the application is complete, accurate, and valid; (3) incorrect information is identified, rejected, and corrected for subsequent processing; and (4) the confidentiality of data is adequately protected.

2. A former professional employee of the Charter School was employed by another charter school while completing the PIMS membership reporting for the Charter School.
3. We were unable to reconcile member district tuition invoices because we could not trace student names and days reported each month to verify that the tuition due was accurate.

Recommendations

The *Urban League of Greater Pittsburgh Charter School* should:

1. Print out SIS membership reports and PIMS reports after the PIMS upload is completed for each school year and perform reconciliations between the Charter School's child accounting software data and the PIMS reports, and retain these records for audit purposes.
2. Ensure that only designated Charter School child accounting personnel are entering the reporting of membership data into PIMS, and that terminated personnel have been removed from access to the PIMS data submission.
3. Ensure that all member district child accounting has been uploaded into PIMS.

Management Response

Management waived its opportunity to respond to this observation.

Status of Prior Audit Findings and Observations

Our prior audit of the Urban League of Greater Pittsburgh Charter School resulted in no findings or observations.

Distribution List

This report was initially distributed to the Chief Executive Officer of the Charter School, the Board of Trustees, our website at www.auditorgen.state.pa.us, and the following stakeholders:

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