

**MEMORANDUM**

TO: Pennsbury School District Board of School Directors  
FROM: Michael P. Clarke and Peter C. Amus *PCA*  
DATE: August 15, 2019  
RE: Center for Student Learning Charter School at Pennsbury

---

The Center for Student Learning Charter School at Pennsbury (“CSL”) is an independent public school in Levittown, PA, operating under the Charter School Law, 24 P.S. §1701-A et seq. Pursuant to Section 1717-A of the Charter School Law, because CSL is located within the geographic boundaries of the Pennsbury School District (the “District”), CSL applied to the District for its charter. The District granted CSL its original charter in 2002, and has renewed CSL’s charter several times since then. The most recent renewal of CSL’s charter was in 2017 for a statutory five-year term ending on June 30, 2022. See 24 P.S. §1720-A.

Other than considering CSL’s charter for renewal each year, the District has no involvement in the operation of CSL. CSL is an independent public school, and a Local Education Agency (“LEA”) separate and apart from the District. See 24 P.S. §1702-A (defining “charter school” as an “independent public school”). The District’s only authority over CSL is to revoke or to not renew CSL’s charter, and then only if certain statutory requirements were met. See 24 P.S. §1729-A. In support of this limited authority, the Charter School Law does grant the District ongoing authority to request information and documentation from CSL. See 24 P.S. §1728-A.

On October 16, 2018, Ms. Terri Sparango, a former employee of CSL, sued CSL, its former auditor, and its current solicitor. See Terri Sparango v. The Center for Student Learning Charter School at Pennsbury, Bucks County Court of Common Pleas No. 2018-06012 (the “Complaint”). Ms. Sparango did not sue the District or any of its employees. The District did not find out about the Complaint until well after it was filed.

On December 20, 2018, the Board of School Directors of the Pennsbury School District hired the accounting firm of Heffler, Radetich & Saitta LLP (“HRS”) to conduct a review of the Center for Student Learning Charter School finances at a cost not to exceed \$22,000. See Exhibit A, excerpt from the minutes of the December 20, 2018, Action Meeting (“P. Special Auditor Engagement”).

HRS conducted this review, examining a tremendous volume of documents provided by CSL to the District, as well as documents provided directly by Ms. Sparango herself. See Exhibit B, Detail Worksheet for Invoice from HRS.

HRS reviewed the 14 financial and accounting mismanagement allegations in the Complaint, and found that only a single allegation had merit:

4. Allegation: The audit report omitted the required Pension disclosure, in accordance with Government Auditing Standards Board (GASB) #67.

**Response: This disclosure was required by GASB to be adopted for the 2015 fiscal year end. It was improperly omitted from the footnote disclosures.**

See Exhibit C, July 31, 2019, Letter from HRS to Peter Amuso, Esq.

HRS determined that another 3 of the 14 allegations required additional review, which the District has now completed:

11. Allegation: Hedde went back on a Board committee prior to meeting the six-month rule.

**Response: A review of the CSL by laws would determine if this is deemed to be a violation.**

See Exhibit C, July 31, 2019, Letter from HRS. The District received a copy of the CSL by-laws from CSL, which we reviewed. No “six-month rule” exists in the by-laws for CSL Board or CSL Board committee membership. Therefore, there is no merit to this allegation.

13. Allegation: Inaccurate student count leading to a fraudulent budget.

**Response: HRS notes that in order to corroborate the student count, a review of the auditors supporting work papers in this area would be necessary. As an alternative a specific field audit could be conducted specific to enrollment data testing. Refer to HRS RECOMMENDATIONS.**

See Exhibit C, July 31, 2019, Letter from HRS. HRS recommended that “further procedures are performed to draw conclusions around Allegation[] #13.” Id. Christopher M. Berdnik, the District’s Chief Financial Officer, has now read through three months of CSL Board meeting agendas and backups, including enrollment reports and interim financial statements. He concluded that “Budget to actual variance for net income- the difference between revenues and expenditures- on a \$3.1 million budget as approximately \$55,000.” See Exhibit D, August 14, 2019, Memorandum from Berdnik to the District Board of School Directors. Therefore, the District has now conducted further procedures, and has drawn the conclusion that there is no merit to this allegation.

14. Allegation: The existence of a “ghost” Information Technology employee.

**Response: HRS notes that a payroll audit would need to be conducted to conclude on this matter. Refer to HRS RECOMMENDATIONS.**

See Exhibit C, July 31, 2019, Letter from HRS. HRS recommended that “further procedures are performed to draw conclusions around Allegation[] . . . #14.” Id. The District’s former interim business administrator, Mr. William Gretton, reviewed select CSL payroll information, including staff rosters and payroll journals. See Exhibit D. Mr. Berdnik has now reviewed additional documentation from CSL that showed that IT support was provided by independent contractors on remote basis, with some part-time activity on site. Id. Therefore, there was no “ghost” employee but rather standard IT support with limited contractor activity at CSL. This allegation, too, then has no merit.

Therefore, the only financial allegation in the Complaint that has merit is CSL’s failure to provide a footnote regarding their pension plan. This individual error does not meet the statutory standard for the District to revoke CSL’s charter.

HRS also recommended that CSL should “[d]evelop a finance committee that would serve as a governing body over CSL matters.” See Exhibit C, page 3. Further, HRS recommended that “[a] consultant should be appointed as a member of the finance committee to serve as a financial expert.” Id. CSL has adopted these recommendations. See Exhibit E, June 19, 2019, from Joshua Pollak, Esq. to Peter Amuso, Esq. Indeed, CSL has begun providing financial additional documentation to the District on a regular basis. See Exhibit D.

It should be noted that the Complaint has settled, with both Ms. Sparango and CSL stating, “The dispute centered on the parties’ differing views over appropriate charter school accounting and reporting requirements. The Center for Student Learning. . . den[ies] any liability, and the parties decided that the case should be resolved with a mutual release of all legal claims.” See Exhibit F (Exhibit A to the Settlement Agreement.)

Therefore, given that the Complaint was, by agreement of the parties, merely a differing view on accounting requirements, and that we have found but a single failure to provide a footnote in accordance with accounting requirements, there is nothing more for the District or the Board to do in this matter.

Mr. Berdnik will continue to monitor CSL’s financial reports as they are submitted. We will send this memorandum and its attachments to the Pennsylvania Auditor General so that they are aware of our review. The District’s next action regarding CSL will be to conduct its charter renewal process starting in the fall of 2021, which will involve a close review of their financial information.

# **EXHIBIT A**

MINUTES OF THE DECEMBER 20, 2018 ACTION MEETING

NEW BUSINESS

M. OVERNIGHT EDUCATIONAL AND OTHER LEAVES

MOTION: Move that the overnight educational and other leaves be authorized for the individuals listed, and if a substitute becomes necessary the Superintendent would be authorized to designate one.

WITHIN STATE:

<u>NAME</u>	<u>PURPOSE</u>	<u>LOCATION</u>	<u>DATE</u>	<u>ESTIMATED COST</u>
Gogoi, Amy Teacher/Pennwood	PSEA House of Delegates	Philadelphia, PA	11/30-12/1	\$ - 0 -
Peirce, Nicole Teacher/ER	PSEA House of Delegates	Philadelphia, PA	11/30-12/1	\$ - 0 -
Aldridge, Elizabeth Dir., Pupil Services	Center for Safe Schools 20 <sup>th</sup> Anniversary Conf.	Harrisburg, PA	12/11-12	\$ 867.42

N. BOARD POLICY

Board Policy 008.1R1 – Organizational Chart

MOTION: Move that the Board cancel Board Policy 008.1 titled *Organizational Chart* and approve Board Policy 008.1R1 by the same title, effective December 6, 2018.

O. BOARD POLICY

Board Policy 323.1R1 – Tobacco, E-Cigarettes, and Vaping Device Use

MOTION: Move that the Board cancel Board Policy 323.1 titled *Tobacco Use* and approve Board Policy 323.1R1 titled *Tobacco, E-Cigarettes, and Vaping Device Use*, effective December 6, 2018.

P. SPECIAL AUDITOR ENGAGEMENT

MOTION: Move that the Board approve the engagement of Heffler, Radetich & Saitta, LLP to conduct a review of the Center for Student Learning Charter School finances at a cost not to exceed \$22,000.

# **EXHIBIT B**



17003470034

Detail Worksheet

Report Date: Friday, February 22, 2019

WIP Detail: January 1, 2011 - February 22, 2019

Billed Detail:

Engagement	Project	Staff	Activity	Date	Rate	Time & Expenses Available to be billed				Invoice #	Comments / Biller Note (*Biller:)	
						Hrs/Units	Amount	Bill Amount Up/Down	Remaining			
17003470034	PENNSBURY											
FORENSIC	FORENSIC	3398	10032	02/20/19	Time: 275.00/hr	1.00	275.00		0.00	275.00		Comment: prep for board meeting
FORENSIC	FORENSIC	3398	10034	02/21/19	Time: 275.00/hr	3.00	825.00		0.00	825.00		Comment: travel and attendance at Pennsbury school district board meeting
BUCKNER, KIA Totals						18.50	5,087.50		0.00	5,087.50		
GALE, ANTONIA												
FORENSIC	FORENSIC	3451	10013	12/27/18	Time: 150.00/hr	2.00	300.00		0.00	300.00		Comment: Initial request list preparation
FORENSIC	FORENSIC	3451	10012	01/31/19	Time: 150.00/hr	0.50	75.00		0.00	75.00		Comment: Meeting about schedule/timing of engagement, and call with Peter Arnouso
FORENSIC	FORENSIC	3451	10003	01/31/19	Time: 150.00/hr	0.50	75.00		0.00	75.00		Comment: Downloading client uploaded files
FORENSIC	FORENSIC	3451	10012	02/14/19	Time: 150.00/hr	1.00	150.00		0.00	150.00		Comment: meeting to determine game plan to review documents
FORENSIC	FORENSIC	3451	40036	02/14/19	Time: 150.00/hr	5.00	750.00		0.00	750.00		Comment: review documents provided by lawyer
FORENSIC	FORENSIC	3451	40036	02/15/19	Time: 150.00/hr	8.00	1,200.00		0.00	1,200.00		Comment: Analysis of supporting documentation
FORENSIC	FORENSIC	3451	10012	02/18/19	Time: 150.00/hr	1.00	150.00		0.00	150.00		Comment: team meeting,
FORENSIC	FORENSIC	3451	40036	02/18/19	Time: 150.00/hr	6.00	900.00		0.00	900.00		Comment: review of additional documents and updating talking points listing
FORENSIC	FORENSIC	3451	10012	02/19/19	Time: 150.00/hr	2.00	300.00		0.00	300.00		Comment: team meeting prep to finalize talking points, and conference call with attorney
FORENSIC	FORENSIC	3451	10031	02/19/19	Time: 150.00/hr	4.00	600.00		0.00	600.00		Comment: Prep/research supporting documents for Thursday's meeting
FORENSIC	FORENSIC	3451	10012	02/21/19	Time: 150.00/hr	2.00	300.00		0.00	300.00		Comment: Board meeting
GALE, ANTONIA Totals						32.00	4,800.00		0.00	4,800.00		
SAITTA, GEORGE												
FORENSIC	FORENSIC	2007	10031	12/23/18	Time: 275.00/hr	4.00	1,100.00		0.00	1,100.00		Comment: review of complaint
FORENSIC	FORENSIC	2007	10031	12/27/18	Time: 275.00/hr	1.00	275.00		0.00	275.00		Comment: initial complaint list preparation
FORENSIC	FORENSIC	2007	10031	02/01/19	Time: 275.00/hr	2.00	550.00		0.00	550.00		Comment: planning
FORENSIC	FORENSIC	2007	10031	02/14/19	Time: 275.00/hr	4.00	1,100.00		0.00	1,100.00		Comment: review of documents provided
FORENSIC	FORENSIC	2007	10031	02/15/19	Time: 275.00/hr	8.00	2,200.00		0.00	2,200.00		Comment: review of documents provided
FORENSIC	FORENSIC	2007	10031	02/16/19	Time: 275.00/hr	5.50	1,512.50		0.00	1,512.50		Comment: review of documents provided
FORENSIC	FORENSIC	2007	10031	02/17/19	Time: 275.00/hr	2.50	687.50		0.00	687.50		Comment: review of documents provided



17003470034

**Detail Worksheet**

Report Date: Friday, February 22, 2019

WIP Detail: January 1, 2011 - February 22, 2019

Billed Detail:

Engagement	Project	Staff	Activity	Date	Rate	Time & Expenses Available to be billed			Invoice #	Comments / Biller Note (*Biller:)	
						Hrs/Units	Amount	Bill Amount Up/Down			Remaining
17003470034	PENNSBURY										
FORENSIC	FORENSIC	2007	10031	02/18/19	Time: 275.00/hr	8.00	2,200.00		0.00	2,200.00	Comment: review of documents provided
FORENSIC	FORENSIC	2007	10031	02/19/19	Time: 275.00/hr	6.00	1,650.00		0.00	1,650.00	Comment: preparation / review of documents for board meeting
SAITTA, GEORGE Totals						41.00	11,275.00		0.00	11,275.00	
Forensic Accounting Totals						91.50	21,162.50		0.00	21,162.50	
Client PENNSBURY Totals						91.50	21,162.50		0.00	21,162.50	
Report Totals						91.50	21,162.50				

# EXHIBIT C

July 31, 2019

Mr. Peter Amuso, Esq.  
Rudolph Clarke, LLC  
350 Sentry Parkway East  
Building 630, Suite 110A  
Blue Bell, PA 19422

Dear Mr. Peter Amuso, Esq.:

Thank you for selecting Heffler, Radetich & Saitta, LLP (HRS) to provide litigation support services in connection with the *Terri Sparango v. the Center for Student Learning Charter School at Pennsbury (CSL)* Complaint dated October 11, 2018. In connection with these services, we were engaged to review the books and records of the Center for Student Learning Charter School at Pennsbury and analyze the information for impropriety and proper financial disclosures.

Relative to this engagement, our team took the following approach:

- Reviewed the compliant in its entirety.
- Requested additional documents noted within the compliant, in addition to, documents that the engagement team believed to be important relative to the nature of the complaints made (e.g. financial statements and audit report, board minutes, etc.).
- Reviewed all documents received. Based on review of all documents, developed additional requests, as deemed necessary.
- Developed conclusions regarding the validity of each complaint outlined based on our review of the aforementioned documents received.

**Allegations and Responses:**

1. **Allegation:** Mortgage//Debt Service Ratio Covenant – not disclosed in the audit report (footnote disclosures) and the fact that the ratio was not met for several years. Refinancing of the Mortgage debt and a commitment by the Board to allocate a certain amount as “committed” within the fund balance was not disclosed in the audit report.

**Response:** This is a required disclosure and could possibly result in the reclassification of the debt outstanding to short term debt, since a violation of a covenant could cause the debt to be called at any point in time. A waiver was obtained for the year ended June 30, 2016; however, the covenant was not met for the years ended June 30, 2018 and 2017

and a waiver was not obtained. The outstanding amount owed was not reclassified as a current liability as a result. This matter was disclosed in all of the aforementioned years.

The amount committed is noted on the face of the statement of financial position.

2. Allegation: Three Months of Operating Cash must be maintained by the Charter School.

Response: This is merely a recommendation. There is nothing in the Charter School law that mandates this nor is there a mandate for a specific fund balance reserve.

3. Allegation: Lawsuit disclosure was not made in the footnote disclosures.

Response: The need or requirement for a disclosure would be dependent upon the materiality threshold of the audit. If the potential loss from the lawsuit is below the materiality threshold, covered by insurance or deemed to be part of the normal course of business, a disclosure is not required.

4. Allegation: The audit report omitted the required Pension disclosure, in accordance with Government Auditing Standards Board (GASB) #67.

Response: This disclosure was required by GASB to be adopted for the 2015 fiscal year end. It was improperly omitted from the footnote disclosures.

5. Allegation: The financials were signed by management.

Response: There was no impropriety noted.

6. Allegation: Additional hiring of staff unnecessarily.

Response: This is a management decision, which does not require our analysis or professional judgement.

7. Allegation: The cash advance of \$70,000 was omitted from the financial statements.

Response: Per review of the financial statements, the cash advance was properly recorded.

8. Allegation: Obtain three bids for professional services obtained by the School.

Response: This is a government auditing standards requirement. HRS reviewed evidence demonstrating that proposals were obtained for requested professional services.

9. Allegation: \$550,000 overpayment from Bristol Township

**Response:** HRS reviewed supporting documentation showing CSL staff applying overpayment to a revolving balance.

10. Allegation: Plant ledger detailing fixed assets did not exist.

**Response:** HRS did receive this information.

11. Allegation: Hedde went back on a Board committee prior to meeting the six-month rule.

**Response:** A review of the CSL by laws would determine if this is deemed to be a violation.

12. Allegation: Hedde was receiving PSERS compensation and became an employee (being paid \$500 per day).

**Response:** HRS reviewed the waiver obtained from PSERS allowing for the aforementioned scenario.

13. Allegation: Inaccurate student count leading to a fraudulent budget.

**Response:** HRS notes that in order to corroborate the student count, a review of the auditors supporting work papers in this area would be necessary. As an alternative, a specific field audit could be conducted specific to enrollment data testing. Refer to HRS RECOMMENDATIONS.

14. Allegation: The existence of a "ghost" Information Technology employee.

**Response:** HRS notes that a payroll audit would need to be conducted to conclude on this matter. Refer to HRS RECOMMENDATIONS.

**Recommendations:**

1. Develop a finance committee that would serve as a governing body over CSL matters. A consultant should be appointed as a member of the finance committee to serve as a financial expert.
2. We recommend that further procedures are performed to draw conclusions around Allegations #13 and #14. HRS stands ready to perform these procedures; however, we have provided suggested procedures for payroll testing and revenue/enrollment testing to the current Business Manager of CSL to facilitate an internal investigation.

# **EXHIBIT D**



*Christopher M. Berdnik, PCSBA  
Chief Financial Officer*

**PENNSBURY SCHOOL DISTRICT**  
134 Yardley Avenue • Post Office Box 338  
Fallsington, Pennsylvania 19058-0338  
Telephone: (215) 428-4100  
www.pennsburyisd.org

**Memorandum**

**TO:** Board of School Directors

**DATE:** August 14, 2019

**RE:** Center for Student Learning Charter School at Pennsbury

---

I have been asked to review certain information related to Center for Student Learning Charter School at Pennsbury ("CSL"). Note the following:

1. Pennsbury School District's former interim business administrator reviewed select CSL payroll information, including staff rosters and payroll journals. CSL provided additional documentation which I examined that technology support was provided by contractors on either a software as a service model or primarily remote support on at best a part-time basis.
2. I read through three months of Board of Trustees meeting agendas and backup, including enrollment reports and interim financial statements. Budget to actual variance for net income – the difference between revenues and expenditures – on a \$3.1 million budget was approximately \$55,000.

It is my recommendation that the audit report commissioned by Pennsbury School District be accepted by the Board, the invoice for services paid, and the report shared with key stakeholders, including the Pennsylvania Auditor General so that his office may incorporate into the scope of their periodic audit any procedures deemed necessary at that time. CSL's local auditors will certainly consider the materials in their analytical testing and review of internal controls as professional standards determine.

I will continue to read through the monthly Board of Trustees meeting agendas on behalf of Pennsbury School District as they are received by Superintendent Gretzula to facilitate ongoing due diligence, while still allowing Pennsbury School District to bring closure to this specific audit.

Please contact me with any questions or comments regarding this information.

# **EXHIBIT E**



## Peter Amuso

---

**From:** Joshua Pollak <JPollak@ldylaw.com>  
**Sent:** Wednesday, June 19, 2019 4:21 PM  
**To:** Peter Amuso  
**Subject:** RE: Follow up to Friday's phone call

Peter,

CSL's new Finance Committee will consist of Heather Humienny (Board President), Tom Gillette (Board Vice President) and Betty Zubrzycki (Board Treasurer) in addition to Chuck Bonner (CEO) and a representative from OmniVest (financial service provider).

CSL's plan for additional financial oversight includes preparation of (1) monthly financials by OmniVest; (2) quarterly financials by OmniVest and sent to Uninvest Bank; and 3) an annual financial audit by Barbacane Thornton as required by law. All of these documents will be provided to both CSL's full Board as well as the District.

Please let me know if you have any additional questions.

Regards,

Joshua

Joshua Pollak, Esquire  
Latsha Davis & McKenna, P.C.  
350 Eagleview Boulevard, Suite 100  
Exton, PA 19341  
(610) 524-8454  
(610) 524-9383 (fax)

### ATTORNEY/CLIENT PRIVILEGE

CONFIDENTIALITY NOTICE: This email transmission may contain confidential or legally privileged information that is intended only for the individual or entity named in the email address. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or reliance upon the contents of this email is strictly prohibited. If you have received this email transmission in error, please reply to [jpollak@ldylaw.com](mailto:jpollak@ldylaw.com) so that arrangements can be made for proper delivery, and then please delete the message from your inbox. Emails are not to be deemed an acceptance of a contract. Thank you.

# **EXHIBIT F**

## **EXHIBIT A**

The Center for Student Learning Charter School's Board of Trustees and former school employee Ms. Terri Sparango have settled her pending employment dispute with the school. The dispute centered on the parties' differing views over appropriate charter school accounting and reporting requirements. The Center for Student Learning along with its named trustees, facility and third-party professionals deny any liability, and the parties have decided that the case should be resolved with a mutual release of all legal claims. Under the agreement, ongoing court proceedings will be dismissed and each party will bear its own attorney fees and costs incurred in the proceedings. Terms of the settlement, which includes no admissions by any party, are otherwise confidential. The settlement allows the parties to avoid the costs and distraction associated with continued litigation.