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Missouri State Auditor

**Urban Community
Leadership Academy**

Charter School Closure

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Urban Community Leadership Academy Charter School Closure

Background

The Urban Community Leadership Academy (UCLA) was a charter school operating in Kansas City, Missouri until June 2012. The UCLA formed as a not-for-profit corporation on February 1999. The University of Central Missouri, the charter school sponsor, notified the UCLA Board of Directors in November 2011 of its intent to allow the sponsorship agreement to expire, and the Board voted in April 2012 to close the school. Final dissolution is pending the Board's completion of final closure activities. The report identifies important concerns but does not provide recommendations since the school has ceased operations.

Closure Planning and Oversight

The Board failed to adequately plan for the closure of the charter school. The Board did not adhere to a plan, develop a budget to administer the school closure activities, or provide adequate oversight of closure activities. Although the Board was aware of the impending closure in November 2011, it did not adopt an overall plan or budget to administer post-closure activities, including the disposition of assets, payment of final disbursements, and handling of personnel and student records. Instead, in May 2012, the Board contracted with a school employee to serve as Business Manager and handle the majority of post-closure activities. The Board did not regularly meet after the school closed to monitor the work of the Business Manager, and the Business Manager did not prepare monthly statements for the Board to account for expenditures. According to the Business Manager, the Board President was the only Board member involved in overseeing school-related decisions. The Board had a fiduciary responsibility to oversee the operations of the school and its closure, and the failure of the entire Board to participate breaches this fiduciary responsibility.

Record Retention

The school was unable to provide many records requested. The Business Manager indicated records are stored in multiple locations, including storage facilities, her home, and her office. We ultimately issued a subpoena and deposed the Business Manager in January 2014. Even under subpoena, the Business Manager was unable to produce invoices or receipts to support 120 of 706 (17 percent) check disbursements and credit card purchases, totaling \$117,980, made between June 2012 and November 2013. Also, the Business Manager could not provide credit card statements for August 2012 and December 2013, did not produce requested bank statements until 8 months after she stated under oath that she would produce them, and could not produce Board meeting minutes and written agreements. The school's independent auditor issued a qualified opinion on the financial statements for the fiscal year ending June 30, 2012, because school officials could not provide adequate documentation.

Disbursements

A Board member made 9 cash withdrawals to purchase cashier's checks, totaling \$55,490 and incurring a \$7 fee per transaction, but there was no supporting documentation for these withdrawals. The Board did not authorize the transactions and later removed the Board member's access to the bank account. The Board did not competitively bid several purchases or solicit proposals for professional services, including \$30,646 in management services, \$29,450 in legal services, and \$24,916 in accounting services. The Board was not able to provide current, signed, written agreements for all services and used the Business Manager's other employer for inventory moving. The Board paid the Business Manager more than allowed by the unsigned written agreement and without timesheets to support the hours worked and claimed for payment, and the Board did not provide adequate oversight of the work performed. The Business Manager is the only signor on one bank account and signed 11 payroll checks to herself totaling \$8,438. The Board hired a management services firm in May 2012 and paid the firm \$33,261 to assist with school post-closure activities, but there is little documentation to show the firm provided the agreed upon services. The Board paid at least \$1,060 in late fees and \$130 in finance charges since July 1, 2012, and spent \$2,050 related to the late filing of the Board President's personal financial disclosure statements with the Missouri Ethics Commission. The Board did not prepare and file required 1099-MISC forms with the Internal Revenue Service.

Capital Assets

The Board did not solicit proposals for real estate services when selling the school building and did not obtain an independent appraisal of the building prior to sale. Capital assets were more susceptible to loss, theft, or misuse because the school did not adequately track or document the disposition of capital assets after closure. Prior to closure, the school did not perform physical inventories, so complete capital asset records were not available to account for these assets, and school officials did not document what items purchased with federal funding the Missouri Department of Elementary and Secondary Education removed.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Urban Community Leadership Academy

Charter School Closure

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Directors
Urban Community Leadership Academy

The State Auditor conducted an audit of the Urban Community Leadership Academy under authority granted in Section 29.205, RSMo. We have audited certain operations of the charter school in fulfillment of our duties. The charter school engaged Daniel Jones & Associates, Certified Public Accountants (CPAs), to audit the charter school's financial statements for the year ended June 30, 2012. To minimize duplication of effort, we reviewed the CPA firm audit report. The scope of our audit included, but was not necessarily limited to, the period from June 1, 2012, through July 31, 2013. The objectives of our audit were to:

1. Evaluate the charter school's internal controls over significant management and financial functions.
2. Evaluate the charter school's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions and those related to charter school closure.
4. Evaluate the planning and oversight of the charter school closure.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the charter school and Board, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the charter school's personnel and was not subjected to the procedures applied in our audit of the charter school.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, (3) the need for improvement in management practices and procedures, and (4) deficiencies in the planning and oversight of the charter school closure. The accompanying Management Advisory Report presents our findings arising from our audit of the Urban Community Leadership Academy.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Urban Community Leadership Academy

Charter School Closure

Introduction

Background

The Urban Community Leadership Academy (UCLA) was a charter school operating in Kansas City until June 2012. In accordance with Section 160.400, RSMo, the UCLA formed as a not-for-profit (NFP) corporation on February 1999. The University of Central Missouri (UCM), the charter school sponsor, indicated the UCLA Board of Directors (Board) was notified in writing in November 2011 of the UCM's intent to allow the sponsorship agreement to expire. The Board voted in April 2012 to close the school. The last day of classes for the school was June 1, 2012. The UCM publicly cited several reasons for revoking the sponsorship including low enrollment, failure to meet attendance goals, poor student retention, failure to meet academic goals, and continued concerns with governance and fiscal and operational practices. Governance concerns included continuous board member turnover and related party transactions. Fiscal and operational practices concerns related to the school not maintaining adequate financial records or operating budgets and submitting untimely financial information to the sponsor.

The school's cash balance at June 30, 2012, was \$695,494. The school received approximately an additional \$375,400 during fiscal year 2013 in state reimbursements for the previous school year, refunds, and interest. The school disbursed approximately \$1 million during fiscal year 2013 for salary and benefit payments (teachers and administrators were paid through September 2012), accounting services, storage and moving costs, utilities, and miscellaneous expenses related to the school and closure. At June 30, 2013, the school had a cash balance of \$46,934. At June 30, 2014, the balance had been reduced to \$10,190. The school sold the former school building in December 2012 for \$675,000. However, after paying commissions and fees and applying the remainder of proceeds against the outstanding loan balance, the school still owed \$12,240 on the building.

Sections 160.400 through 160.425, RSMo, provide requirements for the organization and administration of charter schools. At the time of the closure of the UCLA, the statutes did not provide guidance on the closure of charter schools. In 2012, the General Assembly passed Senate Bill No. 576, effective August 28, 2012, which includes significant revisions to laws pertaining to charter schools. Statutory provisions now require sponsors to develop procedures to be implemented if a charter school should close and also require charter schools to include procedures in the charter agreement to be implemented if the school should close. These procedures are to address matters including transition and archival of student records; archival of business operation and transfer or repository of personnel records; submission of final financial reports; resolution of financial obligations; disposition of school assets; and a notification plan to inform parents or guardians, the local school district, the applicable retirement system, and the State Board of Education (State Board) within 30 days of closure.



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In addition, the bill provides the charter shall be a legally binding performance contract that describes the obligations and responsibilities of the school and the sponsor. The bill also includes additional responsibilities for the sponsor to monitor the charter school and requires the State Board to evaluate sponsors to determine compliance with sponsorship standards every 3 years.

The effective date of the bill was subsequent to the closure date of the UCLA.

Board Dissolution

The Board filed a plan of dissolution with the Secretary of State's office on October 16, 2013, to end the corporation and dissolve the Board. Final dissolution is pending the Board's completion of final closure activities including making final payments and obtaining a financial audit. The findings presented in the remainder of this report identify important concerns identified and relevant corrective actions. However, because the Board is currently in the process of dissolution, recommendations are not provided.

Urban Community Leadership Academy

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Management Advisory Report - State Auditor's Findings

1. Closure Planning and Oversight

The Board failed to adequately plan for the closure of the charter school. The Board did not adhere to a plan or develop a budget to administer the school closure activities or provide adequate oversight of closure activities. As a result, the Board allowed deviations from normal procedures and controls were circumvented.

Although aware of the impending charter school closure in November 2011, the Board did not adopt an overall plan or a budget to administer post-closure activities including the disposition of assets, payment of final disbursements, and handling of personnel and student records. Instead, in May 2012, the Board contracted with a school employee to serve as Business Manager and handle the majority of post-closure financial, asset disposition, and personnel-related activities, while the UCM agreed to handle the transition and archival of student records. According to the Board minutes, a committee presented a report to the Board in August 2012, of matters needing consideration during the closure process including filing a formal dissolution plan with the Secretary of State, progress reports, and a review of obligations. The committee estimated the closure would be completed by March 2013. The Board could not provide a copy of this report and the Business Manager was not aware of the report, which she could have used as a guide during the closure process. UCM officials also indicated they distributed closure guidelines, provided by the National Association of Charter School authorities, to the transition team.

The Board did not regularly meet after the school closed to monitor the work of the Business Manager. Also the Business Manager did not prepare a monthly statement for the Board to account for expenditures. According to the Business Manager, Board members, other than the Board President, resigned or did not regularly participate in Board activities. As a result, the Board President was responsible for overseeing all decisions related to the school. Per the Board's legal counsel, the Board only met to approve items outside of the normal course of business. Items considered in the normal course of business include selecting vendors to provide services such as moving and storage, approving expenditures, and signing checks. There were no Board minutes after August 16, 2012. Subsequent to that date, the only documentation of a Board decision is the signed resolution to dissolve the NFP corporation, dated October 16, 2013.

The Board created a plan for the dissolution of the NFP corporation in October 2013 as part of the resolution to dissolve; however, this plan related only to the necessary actions for the legal dissolution of a corporation and was not implemented until 16 months after the school closed. Because the plan was not completed prior to school closure or soon after closure and did not address the ongoing actions needed during closure, it could not serve as a guide for the closure process.



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A formal closure plan including steps for the dissolution of assets, handling of student and personnel records, and ongoing administrative duties would have helped the Board more efficiently finalize the school's closure. The Board has a fiduciary responsibility to oversee the operations of the school and its closure. The failure of the entire Board to participate breaches this fiduciary responsibility and resulted in insufficient oversight of closure activities. Section 610.020, RSMo, requires the preparation and retention of meeting minutes to document business conducted and to provide an official record of Board actions and decisions.

Board policy 501 states the Board accepts responsibility for adopting a sound budget. Board policy 501A (3112) states no funds may be spent that are not authorized by the annual budget. It further states the Business Manager will prepare a monthly statement to account for each month's expenditures and the total spent to date for the fiscal year. A complete and well-planned budget and closure plan, in addition to meeting policy requirements, could have served as a useful management tool by establishing specific expectations for school closure activities.

2. Record Retention

The school was unable to provide many records requested. The Business Manager indicated records are stored in multiple locations including storage facilities, her home, and her office, and she could not easily locate many of the records we requested. The Business Manager was responsible for retaining documentation and providing copies to the Board's accounting firm. Documentation provided to the accounting firm was generally available; however, the Business Manager did not provide some invoices and/or receipts to the accounting firm and these documents could not be produced for our review. We initially requested invoices, bank statements, contracts, and minutes in August 2013, and continued to request the items until we were told some items were not available. Due to the need to obtain these records and continued delays in receiving them, we issued a subpoena demanding the requested records be produced. We also deposed the Business Manager in January 2014 to answer under oath whether documents could be provided.

The Business Manager was not able to provide many financial documents even after the subpoena was issued, including detailed invoices or receipts to support 120 of 706 (17 percent) check disbursements and credit card purchases made between June 2012 and November 2013. Unsupported transactions totaled \$117,980 of the \$950,305 total expenditures. The Business Manager could not provide credit card statements for August 2012 and December 2013. In addition, the Business Manager did not produce requested bank statements until August 2014, 8 months after she stated in the deposition she would provide them.

The Business Manager also could not produce Board meeting minutes and written agreements as discussed in MAR finding numbers 1 and 3. The



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independent auditor for the fiscal year ending June 30, 2012, issued a qualified opinion on the financial statements because school officials could not provide adequate documentation. Proper record retention is necessary to ensure the propriety of all financial transactions.

3. Disbursements

Significant weaknesses existed in the controls and procedures over disbursements. In addition, Board procedures for selecting and entering into written agreements for goods and services were not sufficient

3.1 Cash withdrawals

A Board member made 9 cash withdrawals totaling \$55,490 in December 2012 and February 2013. The Board member made the withdrawals to purchase cashier's checks to pay vendors and also incurred a \$7 fee per check. There was no supporting documentation for these individual withdrawals and the Board did not authorize the transactions.

Description	Date	Amount
Moving and storage services ¹	12/20/12	\$ 10,650
Moving and storage services ¹	12/20/12	11,500
Moving and storage services ¹	12/20/12	11,500
Reimbursement for dumpster	12/22/12	325
Reimbursement for dumpster	12/26/12	350
Title services	12/26/12	12,240
Reimbursement for dumpster	12/26/12	325
Moving and storage services ¹	2/4/13	4,500
Moving services	2/5/13	4,100
Total		\$ 55,490

¹The Board paid the vendor \$38,150 total for moving and storage services.

The Board President, Business Manager, and the Board's legal counsel indicated the Board member made the 7 December 2012 withdrawals, without the approval of the rest of the Board, because the sale of the school building required items to be moved quickly and the mover required cashier's checks. The Board member indicated he turned the invoice and bid documentation over to the Business Manager. The Business Manager indicated she did not have this information and was unable to provide us with documentation to support the transactions. The same Board member made 2 other withdrawals in February 2013 to pay for the moving of capital assets from one storage location to another less expensive location. After these transactions, the Board removed the Board member's access to the bank account.

Board policy 504 states no payment shall be made without invoices. To ensure disbursement are valid and proper, disbursements should be approved by the Board, adequate supporting documentation should be



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obtained and retained for all goods and services purchased, and the Board should limit access to school bank accounts.

3.2 Request for proposals/bid The Board did not competitively bid several purchases or solicit proposals for professional services. Examples of services obtained during the year ended June 30, 2013, and selected without a competitive process are as follows.

Service	Cost
Management services	\$ 30,636
Legal services	29,450
Accounting services	24,916
Information technology services	7,800
Storage unit rental	5,819
Inventory moving	2,344

The Board could only provide an expired agreement and an unsigned memorandum of understanding for management services. The Board was not able to furnish signed agreements for information technology services, accounting services, or the storage unit rental. In addition the Board selected the two moving and storage vendors discussed in section 3.1 without a competitive process and could not provide signed agreements. Also, the Board used the Business Manager's other employer for inventory moving.

Competitive bidding and soliciting proposals for professional services are good business practices; helps ensure the school receives a fair value by contracting with the lowest and best bidder; provides a range of possible choices; and allows the Board to make better-informed decisions to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration. Written agreements are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, personal interests by employees in the business matters of the school could create the actual or the appearance of conflicts of interest and should be avoided.

3.3 Business Manager

The Board paid the Business Manager more than allowed by written agreement and without timesheets to support the hours worked and claimed for payment. In addition, the Board did not provide adequate oversight of the work performed by the Business Manager. The Board paid the Business Manager approximately \$49,000 between June 2012 and May 2014.

The Board employed the Business Manager to work as a part-time employee to work no more than 20 hours a week. The Business Manager indicated her job duties included performing various post-closure financial, asset, and personnel-related activities, including processing invoices and overseeing the disposition of assets. The Business Manager stated she signed an



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agreement, but neither the Business Manager nor other representatives for the school could provide a signed copy. The Business Manager could only provide a copy of an unsigned agreement that contained an overview of the job duties and compensation of the position.

In the agreement the Board agreed to pay the Business Manager \$23 per hour for up to 20 hours per week. The Business Manager requested and the Board paid the Business Manager approximately \$36,500 for the fiscal year ending June 30, 2013. This amount significantly exceeds the agreed upon maximum amount of \$23 per hour for 20 hours for 52 weeks, or \$23,920. The Business Manager does not prepare timesheets and indicated she estimates her time, so there is no way to determine how many hours she actually worked or how she calculated her salary. The Business Manager also maintains another full-time position with a private company.

The Board's accounting firm prepared the Business Manager's payroll checks based on reported total number of hours rather than the agreement maximum, even when the reported hours exceeded the maximum allowed. In April 2013, the Business Manager began preparing her own payroll checks. The Board President approves the Business Manager's payroll each month. However, the Board President did not question the amounts presented by the Business Manager or verify for compliance with the agreement.

The Business Manager is the only signor on the bank account opened in December 2012 and invoices are not always submitted for Board approval. Procedures in place prior to opening this account required the Board President to approve invoices and be a second signer on checks. Also, as noted in MAR finding number 1, the Business Manager did not prepare monthly expenditure reports for the Board as required by policy.

To substantiate payroll disbursements, timesheets should be prepared and signed by employees and approved by the Board. Prior to approval, the Board should review payroll records to ensure they are in accordance with existing agreements. Signed written agreements should be retained to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, to reduce the risk of loss, theft, or misuse of funds, the Board should ensure supervisory reviews of the Business Manager's work are performed.

3.4 Management services

The Board hired a management services firm in May 2012 to assist with the school post-closure activities; however, there is little documentation to show the firm provided the agreed upon services. The Business Manager indicated the management services firm helped with some tasks but the firm did not provide detailed invoices to show tasks performed. The Board used an accounting firm and the Business Manager to perform the same or similar



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services. As noted in section 3.2, the Board did not solicit proposals for the management services and the Board could only provide an expired agreement with the management services firm and an unsigned memorandum of understanding. The Board paid the firm at least \$33,261 through August 2013. We noted the following concerns with services performed:

- Accounts payable processing - The memorandum of understanding states the firm is responsible for accounts payable services including picking up mail, coding disbursements, and submitting information to the Business Manager for approval. However, the Business Manager and the accounting firm processed and coded many of the disbursements. The Business Manager indicated she continued to use the accounting firm to code disbursements rather than the management services firm because the accounting firm was familiar with the coding and she did not want errors. Of the disbursements processed by the management services firm, 10 purchase orders totaling \$13,552 were for the firm's services with no other approvals documented on these purchase orders.
- Bank deposits - The firm was responsible for bank deposits; however, records indicate since July 2012 the firm only made 12 bank deposits at physical bank locations. All other deposits were either direct deposits from the state or transfers initiated by the Business Manager.
- Payroll - The firm was responsible for the distribution of payroll checks after the school closed. However, this responsibility ended after 3 months in September 2012 with final payments made to teachers. The accounting firm distributed the Business Manager's payroll checks or the Business Manager wrote the payroll checks herself.
- Student records - Firm representatives stated their responsibilities included handling student records. However, the UCM took responsibility for converting student records into electronic records, and turned the original records over to the Kansas City School District on August 1, 2013. Also, UCM officials assisted students and families with transcript requests. UCM officials indicated student records duties cost the sponsor more than \$13,600.
- Capital assets - The memorandum of understanding states the firm is responsible for inventorying assets, coordinating moves to storage facilities, and facilitating the donation of assets. The Business Manager indicated the management firm helped with inventorying assets; however, the Business Manager was also responsible for the inventorying, moving, and donation of assets. We noted concerns with the management of capital assets in MAR finding number 4.2.



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Closely monitoring agreements for performance and compliance with agreement terms is important to ensure Board expectations are met and school assets are used wisely.

3.5 Signing checks

We reviewed payroll checks written between April and September 2013 and noted the Business Manager signed 11 payroll checks to herself totaling \$8,438. As discussed in section 3.3, the Business Manager is the only signor on this bank account opened in December 2012 and is responsible for processing all invoices and signing all checks from this bank account.

Board policy 506 (3430) requires all checks to be signed by the Board President and Treasurer. The current procedures of allowing the Business Manager to sign her own checks and be the only signor on the account jeopardizes the system of independent checks and balances needed for good internal control. Dual signatures, as policy requires, would help provide assurance checks are written only for appropriate disbursements.

3.6 Late payment and filings

The Board did not ensure bills were paid or financial disclosure statements were filed timely resulting in various late fees and finance charges. The Board incurred these fees and charges even though it had agreements with an accounting firm, management firm, and Business Manager to oversee disbursements. We noted the following issues related to untimely payments and filings:

- The Board has paid at least \$1,060 in late fees and \$130 in finance charges since July 1, 2012. The Business Manager stated some bills were paid by phone in order to avoid having utilities shut off.
- The Board spent \$2,050 related to the late filing of the Board President's personal financial disclosure statements with the Missouri Ethics Commission (MEC). These expenses included payments to the MEC of \$300 for late filing of the 2013 disclosure and \$210 for late filing of the 2012 disclosure, and a \$1,540 reimbursement to the Board President for payments he made to the MEC for late filing of his 2010 disclosure. However, the actual late filing fee for the 2010 financial disclosure was \$1,450 and no documentation could be provided indicating the Board President reimbursed the school for the \$90 overpayment. In addition, it is questionable whether the payment of late fees was a reasonable and necessary disbursement of school monies. A MEC official told us employers typically do not pay employee late filing fees.

To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid and disclosure statements are filed timely.

3.7 1099-MISC form

The Board did not prepare and file 1099-MISC forms with the Internal Revenue Service, as required. In 2012 and 2013, the Board paid approximately \$33,650 and \$4,500, respectively, to a sole proprietorship for



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moving and storage services, but did not file a 1099-MISC form for either year.

Sections 6041 to 6050 of the Internal Revenue Code require non-wage payments of at least \$600 in one year for professional services or for services performed as a trade or business by non-employees (other than corporations) be reported to the federal government on a 1099-MISC form.

4. Capital Assets

Property procedures and records were not adequate.

4.1 Sale of the building

The Board did not solicit proposals for real estate services when selling the school building. The Board paid a firm a \$40,500 real estate commission (6 percent of the sale price) for these services. In addition, the Board did not obtain an independent appraisal of the building prior to sale. The Board sold the building to another charter school for \$675,000. At the time of the sale, \$645,480 was still owed on the property and additional costs of \$41,760 were incurred for real estate and title fees. As a result, the Board still owed \$12,240 on the property after the sale was finalized.

Soliciting proposals for real estate services helps provide a range of possible choices, and allows the Board to make better-informed decisions to ensure necessary services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration. Without an independent appraisal of property the Board had less assurance the sales price was reasonable and represents the fair value of the property.

4.2 Asset disposition

Procedures and records to account for school property after closure were not adequate. There was no written authorization from the Board for the disposition of capital assets or documentation to track the disposition of capital assets. As a result, capital assets were more susceptible to loss, theft, or misuse.

Records of disposed property consist only of a spreadsheet listing the total dollar value (\$33,265) of donated capital assets, and do not include enough information to identify specific property items. For example, the listing shows a donation of 8 computers valued at \$1,600 to one entity, but there is no information to identify the specific computers. Prior to closure, the school did not perform physical inventories, so complete capital asset records were not available to account for the school's assets and ensure their proper disposition was recorded.

The Missouri Department of Elementary and Secondary Education (DESE) removed items purchased with federal Title I funding; however, school officials did not document what items DESE personnel removed so inventory records could be updated. DESE officials stated they provided a listing of items removed to school officials, but school officials indicated



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they did not retain this information. Federal grant guidelines require tracking and recording of disposition of this property. Data required includes: description; serial number; description of funding source; acquisition date; cost; percentage of federal participation; location, use, and condition of asset; and ultimate disposition including date of disposal and sales price.

Adequate capital asset procedures and records are necessary to ensure accountability for all items purchased and owned. Disposition of capital assets is necessary when closing a charter school, and proper documentation of the capital assets should be maintained to ensure capital assets are not lost or disposed of improperly. Capital assets purchased with federal Title I funding should be tracked and disposed of as required by federal guidelines.

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Organization and Statistical Information

The Urban Community Leadership Academy (UCLA) was a charter school organized and governed under Sections 160.400 through Section 160.420, RSMo. Charter schools are independent public schools, organized as not-for-profit corporations by statute, that are free from rules and regulations that apply to traditional public school districts unless specifically identified in charter school law. In exchange for flexibility, charter school sponsors are to hold the schools accountable for results.

A person, group, or organization seeking to establish a charter school must submit a proposed charter agreement to an eligible sponsor. If a charter is approved by a sponsor, the sponsor submits the charter application to the State Board of Education for approval, along with a statement of finding that the application meets the requirements of Sections 160.400 through 160.420, RSMo, and Section 167.439, RSMo. Charter school sponsors receive 1.5 percent of the charter school's state and local funding to defray the costs of sponsorship if the sponsor remains in good standing. The State Board of Education is responsible for ensuring the sponsor meets its obligations under the charter school law. The University of Central Missouri was the sponsor for the UCLA prior to closure.

In accordance with Section 160.415.4, RSMo, a charter school that has declared itself as a local educational agency receives funding from the Department of Elementary and Secondary Education (DESE) based on attendance in the same manner as other school districts. Section 160.410.1 (1), RSMo, states a charter school shall enroll students residing in the district within which it operates. As a result, only students eligible to attend the Kansas City School District could attend the UCLA. The DESE reduces the local school district's funding allocation based on the charter school attendance and disburses this funding to the charter school. Charter schools also receive federal funding through the DESE.

The UCLA was located in Kansas City, Missouri. The UCLA began operating as a school in August 1999 and stopped offering classes in June 2012. The charter school instructed grades 5 through 9. Enrollment was 229 students for the 2011-2012 school year.



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Organization and Statistical Information

**School Board and Business
Manager**

The five-member Board acted as the policy-making body for the charter school's operations. Board members served without compensation. The Board hired a Business Manager to handle post-closure duties. Members of the Board and the Business Manager at July 31, 2013, were:

Stacey Brown, President
Don Proctor, Vice-President
Julie Gray, Secretary
Marvin Lyman, Member
Kendra Kemp-Trammel, Member

Shanita Isaac, Business Manager