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Missouri State Auditor

Hope Academy Charter School

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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of Hope Academy Charter School

Background	<p>The State Auditor's Office initiated an audit of the Hope Academy Charter School in November 2013 after receiving information from the Department of Elementary and Secondary Education that falsification of attendance data had occurred at the Hope Academy Charter School. Hope Academy was a charter school operating in Kansas City from August 2009 until June 2014. The school's sponsor, the University of Missouri-Kansas City, notified the school of its plans to withdraw its sponsorship in December 2013. The school board voted in April 2014 to close the school as of June 30, 2014, and the last day of classes was June 11, 2014.</p>
Attendance Data and Procedures	<p>Hope Academy attendance data for 2012-2013 and 2013-2014 school years was incomplete and inaccurate, and significantly overstated actual attendance. School attendance data was reported to the Department of Elementary and Secondary Education and certified by the former Hope Academy Core Data Consultant or superintendent. Falsification of attendance data provided to the state resulted in Hope Academy receiving significantly more funding than it should have. As a result, the school received overpayments in state funding totaling approximately \$3.1 million for the 2012-2013 school year and \$1.24 million for the 2013-2014 school year.</p>
Academic Integrity	<p>School officials did not follow board policies to properly track academic information, including student time spent logged on to the online learning system, which was not always completed under the supervision of a certified teacher. Service learning records were not properly maintained or approved and service learning activities did not meet established criteria. A review of available service learning records showed the school allowed credit for questionable activities, including babysitting, cutting grass, grocery shopping, cleaning house and dog walking. These activities were not aligned with state service learning standards.</p> <p>Student enrollment was not always properly documented or verified. In addition, documentation and reporting of eligibility and participation in the Free and Reduced Lunch and English Language Learners programs was not adequate. Some attendance and graduation information reported to the state was not accurate, and the school did not verify adequate credits were earned by all graduates. Students with excessive consecutive absences were not withdrawn and student withdrawals or transfers were not always properly documented.</p>
Closure and Outstanding Liabilities	<p>Hope Academy was overpaid by approximately \$1.24 million in state funding for the first 9 months of the 2013-2014 school year. In an attempt to recoup this overpayment, the Department of Elementary and Secondary Education withheld payments totaling approximately \$600,000 to Hope Academy for the last 3 months (April-June) of the school year and requested reimbursement for an additional \$640,000. In June 2014, the board offered to pay back \$200,000 and enter into a payment plan for the remaining liability until the debt was paid or legal matters could be resolved. As of August 2015, the settlement had not been accepted and Hope Academy had not reimbursed the remaining \$640,000 in overpayments. In addition, Hope</p>

Academy was overpaid by at least \$3.1 million dollars based on inflated attendance for the 2012-2013 school year, resulting in an additional liability.

Procurement Procedures and Contracting

The school board did not bid the purchase of building supplies, instructional supplies, office supplies, and homeless student uniforms totaling \$190,000 for the 2012-2013 school year, including \$104,000 in supply purchases from one vendor. In addition, concerns were noted with the board's procurement and contracting procedures for professional service providers.

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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Missouri State Auditor

To the Board of Directors
Hope Academy Charter School

The State Auditor conducted an audit of the Hope Academy Charter School (Hope Academy) under authority granted in Section 29.205, RSMo. A request for an audit was received from the Department of Elementary and Secondary Education (DESE) after concerns arose and the DESE found credible evidence of, among other concerns, attendance reporting issues. The Hope Academy Board of Directors also requested the audit. The charter school engaged Ralph C. Johnson & Company, Certified Public Accountants (CPAs), to audit the charter school's financial statements for the year ended June 30, 2014, and Daniel Jones & Associates, CPAs, to audit the charter school's financial statements for the years ended June 30, 2013, 2012, and 2011. To minimize duplication of effort, we reviewed the reports of the CPA firms. The scope of our audit included, but was not necessarily limited to, the 5 years ended June 30, 2014. The objectives of our audit were to:

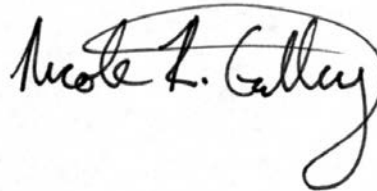
1. Evaluate the charter school's internal controls over significant management and financial functions.
2. Evaluate the charter school's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
4. Evaluate the internal controls and accuracy of the charter school's enrollment and attendance recording and reporting and impact on state funding.
5. Evaluate the planning and oversight of the charter school's closure.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, electronic communications, and other pertinent documents; interviewing various personnel of the charter school, 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 agreement, 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 charter school's management 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, (4) inaccurate attendance and enrollment reporting, and (5) 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 Hope Academy Charter School.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Introduction

Background

On November 5, 2013, the State Auditor's Office (SAO) received substantial, credible evidence from the Department of Elementary and Secondary Education (DESE) that falsification of attendance data had occurred, among other concerns, at the Hope Academy Charter School (Hope Academy).

On November 6, 2013, the SAO served subpoenas on designated administrators and staff of the Hope Academy to ensure the preservation of evidence. SAO personnel met with the Hope Academy Board of Directors (Board) and legal counsel at that time and were advised of the Board's request for an audit and their willingness to fully cooperate and support the audit process. On November 14, 2013, SAO staff visited the Hope Academy and auditors conducted interviews with school representatives and gathered and secured school records including attendance records.

The Hope Academy was a charter school operating in Kansas City from August 2009 until June 2014. In accordance with Section 160.400, RSMo, the Hope Academy formed as a nonprofit corporation on December 27, 2007. The Board voted in April 2014 to close the school as of June 30, 2014, and the last day of classes was June 11, 2014.

The Hope Academy was designed as a dropout recovery school with a mission to provide students who had dropped out or were contemplating dropping out of a formal educational program an opportunity to obtain a quality education leading to a diploma. The Hope Academy was sponsored by the University of Missouri-Kansas City (UMKC) and served students ages 16 to 21 in grades 9 through 12. Educational programs included individualized online reading and online core instruction programs as well as curriculum-based community service opportunities (service learning).

The Hope Academy occupied and/or operated the following campuses/facilities from 2009 thru 2014:

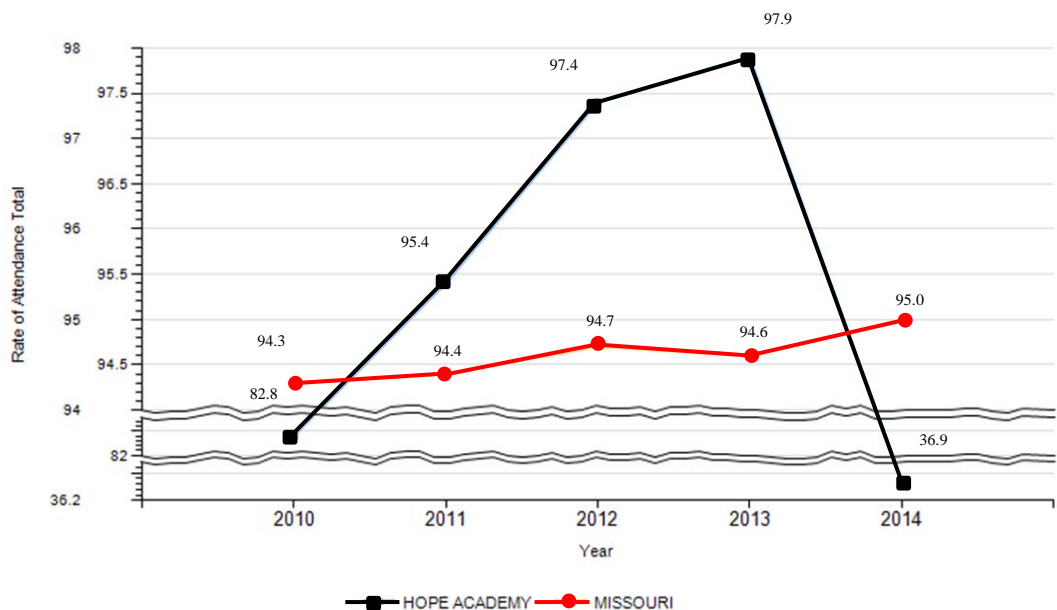
- Zion Grove campus - Leased from June 2009 to September 2013.
- Bennington campus and Administration Center - Leased from May 2012 to December 2014 (lease payments were suspended from April 2014 to December 2014).
- Paseo campus - Purchased December 2012 and conveyed to the lender through a deed in lieu of foreclosure in May 2014. The Paseo campus was open from July 2013 to December 2013.
- Meyer campus - Purchased January 2013 and conveyed to the lender through a deed in lieu of foreclosure in May 2014. No classes were held at this campus.



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DESE

According to DESE officials, they performed unannounced visits to the Bennington and Paseo campuses of the Hope Academy on October 9, 2013, to review attendance reporting procedures and service learning components. DESE officials performed these visits because they noted the Hope Academy had reported a 97.9 percent attendance rate for the 2012-2013 school year. DESE officials considered this rate to be unusually high, especially for an alternative, or dropout recovery, high school. As noted in the following graph,¹ the Hope Academy had reported attendance exceeding 95 percent, higher than the state average, since the 2010-2011 school year, its second year of operation.



During DESE's visits, officials performed a physical count of the Hope Academy students present and only 174 of 636 students (27 percent) were in attendance. DESE officials also obtained hardcopy and electronic attendance data for October 1 - 8, 2013, which they subsequently reviewed and confirmed an actual attendance rate of approximately 30 percent, much lower than what the school reported.

In addition to concerns with the Hope Academy's attendance, the DESE also reported concerns regarding the following:

- A 4-year trend of low academic performance and a 2013 Annual Performance Report percentage score of 17.1 percent (earning 24 out of

¹ Source: DESE's Missouri Comprehensive Data System
<<http://mcds.dese.mo.gov/guidedinquiry/District%20and%20Building%20Student%20Indicators/District%20Attendance%20Rate.aspx>>, accessed April 24, 2015.



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a possible 140 points) reflecting an overall poor performance. The Hope Academy's sponsor, the UMKC, had previously placed (on October 14, 2013) the school on probationary status for this reason pursuant to Section 160.405.8 (2), RSMo.

- Student residency issues for a number of students transferring to the Hope Academy from other school districts outside the Kansas City Public School District during their senior year.
- A majority of Hope Academy service learning activities having limited or no alignment to service learning requirements, and therefore the hours charged were not eligible for state reimbursement.
- Academic integrity issues involving testing irregularities, transcript discrepancies, and awarding and reporting of course credits earned towards graduation.

On November 4, 2013, the Board placed various administrators and staff on administrative leave. Some of these administrators and staff, including former Superintendent Dr. Vonnelle Middleton and former Core Data Consultant Lisa Sowell, were terminated soon after because of their role in reporting and certifying attendance to the DESE. On November 19, 2013, the Hope Academy notified the UMKC it was closing the Paseo campus and selling it and the Meyer campus, which was never used for classes. The Board also notified UMKC it would be releasing a number of staff members after Thanksgiving and moving all students to the Bennington campus as of the end of December 2013. On November 25, 2013, the Hope Academy provided a corrective action plan to the UMKC addressing the DESE's concerns.

Closure

On December 2, 2013, the UMKC notified the Board of its decision to not continue as the Hope Academy's sponsor after June 30, 2014, indicating "The decision is heavily influenced by the low Missouri Assessment Plan (MAP) scores the Hope Academy students have posted for the last four years, therefore identifying the Hope Academy as a persistently low achieving school by the Department of Elementary and Secondary Education."²

The Board disagreed with the UMKC's position and, as a result, the Board sued the State Board of Education (SBE) in April 2014, in order to have the SBE require the UMKC to follow state law and its own internal processes. The case was dismissed by the trial court and the Board appealed the

² Source: December 2, 2013, letter from UMKC Charter School Center School of Education to the Hope Academy's Board President.



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decision. In June 2014, the school was forced into closure as UMKC had withdrawn its sponsorship and no other sponsor was obtained. On June 9, 2015, the Western District Appeals Court affirmed the trial court's decision to dismiss the case.

The following table reflects the Hope Academy's revenues and expenditures for the 2 years ended June 30, 2014.

	Year Ended June 30,	
	2013	2014
Beginning fund balance	\$ 3,122,285	3,335,327
Revenues (by source):		
Local	347,169	658,552
State	6,237,497	2,110,876
Federal	343,722	305,141
Loan Proceeds	2,253,631	0
Sale of surplus property	0	2,120,736
Total Revenues	9,182,019	5,195,305
Expenditures (by object):		
Salaries	1,777,880	1,999,488
Employee benefits	425,894	474,137
Purchased services	1,244,397	1,563,009
Supplies	598,662	441,429
Capital outlay	4,781,894	962,188
Principal	110,355	2,752,332
Interest and fees	29,895	157,840
Total Expenditures	8,968,977	8,350,423
Ending fund balance	\$ 3,335,327	180,209

Source: The Hope Academy independent auditor's reports for the years ended June 30, 2013, and June 30, 2014. The information is presented on a modified cash basis.

Dissolution

Final dissolution of the not-for-profit corporation is pending any further litigation and completion of final closure activities including final storage of school records and student record requests. Because MAR finding number 4 relates to the operations of the school prior to closure, and the Board is in the process of dissolution, no recommendation is provided. Also, because the Board is in the process of dissolving, other recommendations focus on the continuing issues resulting from attendance and academic integrity inaccuracies.

Auditee Responses

The auditee provided additional information regarding the closure process discussed in this background section as part of their responses. This information is included in full in the audit report appendix. Responses provided for the other findings were largely unresponsive to the specific recommendations, did not clearly convey plans for corrective action, and commented on the DESE or the sponsor as opposed to focusing on remedies. These responses are included with the applicable audit finding.

Hope Academy Charter School Management Advisory Report State Auditor's Findings

1. Attendance Data and Procedures

The Hope Academy attendance data for the 2012-2013 and 2013-2014 school years was incomplete and inaccurate, and significantly overstated actual attendance. As a result, overpayments of state funding occurred totaling approximately \$3.1 million for the 2012-2013 school year and \$1.24 million for the 2013-2014 school year. Analysis of attendance data reported for the 5 years ended June 30, 2014, also showed significant unexplained increases in attendance for the Hope Academy. A lack of proper attendance procedures allowed inflated attendance percentages.

The DESE requires all schools, including charter schools, to track attendance accurately by attendance hour. The DESE uses attendance data reported by schools in the Missouri Student Information System (MOSIS) to determine the appropriate amount of state funds to give each school through the state funding formula. The higher a school's attendance percentage, the more funds it receives. Absences reduce the amount of funding a school receives. The number of students eligible for Free and Reduced Lunch (FRL) and the number of students considered English Language Learners (ELL) also allow for increased state funding through the state funding formula and eligibility for federal funding.

Enrollment counts are used to determine the number of resident and nonresident students³ enrolled (i.e. head count), while membership counts determine, by grade, how many resident students are enrolled and in attendance at least 1 of the 10 previous school days (i.e., full-time equivalency count). Data from these counts is used to validate other school reported data (i.e., estimated average daily attendance, enrollment, and attendance hours), determine district eligibility for certain federal grants, and calculate federal grant allocations. An enrollment count and membership count are performed the last Wednesday of September and reported to the DESE for the October reporting cycle, and another membership count is performed on the last Wednesday of January and reported to the DESE for the February reporting cycle. These counts are also used to report the number of students qualifying for the FRL and ELL programs. (See further discussion of the FRL and ELL programs in MAR finding number 2.4).

The Hope Academy operated on a 6 hour school day for 200 days per year, with 4 hours of online curriculum and 2 hours of service learning. The school used the Odysseyware system for its online curriculum. Students were taught via online curriculum at computers located within the school or were allowed to access the system from their homes. Students' logon and

³ Nonresident students are those that do not reside in the district in which the charter school operates but are eligible to attend the charter school under provisions of Section 160.410.1, RSMo.



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logoff times were tracked by the system vendor and could be obtained by the Hope Academy if requested.

The Hope Academy's attendance records were manual for the Zion Grove and Paseo campuses and maintained on an electronic spreadsheet for the Bennington campus. The manual system consisted of school personnel marking an "X" on a paper document indicating a student had arrived and departed for the day with no indication of the times for either. The electronic spreadsheet indicated a "P" for present or an "A" for absent without consideration of the hours present. DESE records show either former Core Data Consultant Sowell or former Superintendent Dr. Middleton certified attendance data entered into the MOSIS. A report reflecting the information entered into the MOSIS was also provided to the Board at its regular meetings showing the school's monthly attendance percentage.

To evaluate the accuracy of the Hope Academy's attendance data, we compared various attendance records (manual and/or spreadsheet), Odysseyware logons, and service learning records to the MOSIS to determine if attendance and absences recorded on the Hope Academy's records were accurately recorded in the MOSIS.

2013-2014 school year

As previously noted, DESE officials determined the Hope Academy's attendance for the 2013-2014 school year was significantly overstated. During an October 9, 2013, unannounced visit DESE officials determined approximately 27 percent of the Hope Academy's students were physically present. The DESE's review of attendance data for the week prior to its visit confirmed a similar low attendance rate of approximately 30 percent. Subsequent investigation by an internal auditor hired by the Board, and attendance reported by school officials (monthly emails to the DESE) showed similar low attendance rates. As a result, the DESE calculated the overpayment of state funding for the first 9 months (July 2013 through March 2014) of the 2013-2014 school year at approximately \$1.24 million.

2012-2013 school year

As part of the internal investigation into attendance reporting concerns noted by DESE officials, the Board hired an internal auditor to perform a review of the 2012-2013 school year attendance data. On a test basis, we verified the accuracy of the internal auditor's initial work to ensure it could be relied upon. We concluded the internal auditor's work was reliable; however, because manual and spreadsheet attendance records were missing for several days/months for each campus for the 2012-2013 school year, the internal auditor's analysis was incomplete.

We used available Odysseyware logon data to complete the internal auditor's analysis for the missing days/months, creating a master attendance database for the 2012-2013 school year. Our review of available data



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determined the Hope Academy students were in attendance an estimated 219,432 of 704,538 possible attendance hours, or approximately 32 percent attendance. However, the Hope Academy reported their attendance rate to the DESE for the 2012-2013 school year at 97.9 percent of total possible attendance hours (above the state average of 94.6 percent). Because of the inconsistency of the data and documentation, we considered a student to be present for the full 6 hour day if he/she was noted in any attendance record or logged on to the Odysseyware system at any point and calculated a 32 percent attendance rate without considering the number of hours present. Had all records been available to account for the number of attendance hours, some students may not have earned credit for a full day and the calculated attendance percentage could be less. Additionally, the procedural, Odysseyware, and service learning problems discussed in MAR finding number 2 further impact the calculated attendance percentage.

Using our estimated student attendance hours of 219,432 and dividing that by the number of hours per student per year (1,200 = 200 days x 6 hours per day), the Hope Academy's estimated 2012-2013 regular term average daily attendance (ADA) is calculated at 182.86, 377.14 less than the 560 regular term ADA reported to the DESE. The DESE paid the Hope Academy approximately \$8,300 per ADA for the 2012-2013 school year. The 377.14 ADA difference equates to an estimated state funding overpayment of approximately \$3.1 million.

Other school years

Adequate documentation was not maintained by the school to sufficiently analyze the 2011-2012 school year attendance, which was reported to the DESE at 97.4 percent (above the state average). As early as March 2012, based on the Board meeting minutes, school staff reported to the Board that their school's attendance percentage was 97.3 percent. Board members indicated they questioned staff about the school's high attendance percentages and staff provided explanations that they believed were reasonable.

For the 2010-2011 school year the Hope Academy attendance records could not be located, however, Odysseyware data was available. According to the Odysseyware logon data, students logged on a total of 44,062 days (31,794 days not including weekend days), however, the number of days students were reported as being in attendance to the DESE was approximately 51,000 days or a 95.38 percent attendance rate (above the state average). We did not attempt to estimate an overpayment for the 2010-2011 school year because attendance records were not available to compare to the Odysseyware logon data.

Conclusion

Available attendance documentation does not support the students' rate of attendance reported to the DESE and certified by the former Hope Academy Core Data Consultant or Superintendent, indicating falsification of



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attendance percentages. Falsification of attendance data provided to the DESE resulted in the Hope Academy receiving significantly more funding than it was entitled to. In addition, the Hope Academy may have been falsifying attendance data as early as the 2010-2011 school year when it first reported an attendance percentage above the state average. Neither the Board nor the DESE examined the significant unexplained increase in attendance until October 2013.

As further discussed in MAR finding number 3, the overpayments that resulted from inflated attendance for the 2013-2014 and 2012-2013 school years represent a liability/obligation of the charter school and should be repaid as part of the dissolution process. However, the charter school has ceased operation, the cash balance as of July 31, 2015, is less than the overpayment owed, and the Board expects no additional revenue. Any remaining funds held by the Board should be returned to the DESE.

Recommendation

The Board work with the DESE to determine the proper resolution for the overpayment of the 2013-2014 and 2012-2013 school years, and the potential overpayments from past school years where attendance records were not available.

Auditee's Response

The attendance procedures used by the Hope Academy were set out in its charter application to the State Board of Education that was accepted and approved by the same. In addition, it was reported to the Board and verified by the Board's accountants that the attendance procedures and methodologies, as set out in the charter, were discussed with the DESE, and again approved in February 2010. Specifically, that the Hope Academy, could count toward its average daily attendance (ADA) time spent by students who logged into the computer curriculum and completed assignments outside of the classroom. This was an important feature for the Hope Academy. Hope Academy's students were not the traditional student. Hope Academy students often had children, jobs or transportation issues because of homelessness and migrating between family members' and friends' homes on a weekly if not daily basis. These were not isolated issues, but applicable to the majority of the students attending the Hope Academy. So students, to be successful, had to have the flexibility to attend school via the laptops and tablets provided by the school and the school had to be able to consider that time in order to be financially viable.

The Hope Academy Board approved and purchased a student information system, which included systems to track attendance and academic information (i.e. grades, credit hours completed, etc.). It was discovered, after the DESE's investigation began the student information system was never engaged at the direction of the prior superintendent. In retrospect and based on the investigation conducted internally at the request of the Board it appears the prior superintendent intentionally avoided use of the student



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information system so that she could or she could order the manual manipulation of attendance data.

It should be noted that the Board approved policies that complied with its approved charter and the laws governing charter schools. The reports provided to the Board by the school's administrators indicated the approved policies were being followed. In addition, the Board put into place from the beginning additional checks and balances to independently verify the information that was being provided by the previous administration on a monthly basis.

Specifically, the bookkeeping accountants for the school were asked to review the attendance data monthly to assure accuracy. The CPA firm that handled the financial audits, separate from the bookkeeping accountants, were required to review the attendance data on an annual basis, particularly since the Hope Academy, had a non-traditional reporting process with being able to include in its ADA students who logged into the computer curriculum outside of the school. Neither of these independent verifiers "caught" the overstatement of attendance. Finally, the Hope Academy's sponsor—UMKC—hired an attendance data expert consultant to come in and review the data on a regular basis, at least quarterly if not more often, and she did not "catch" the overstatement of attendance.

The Board believes that all of the board level actions cited above—to ensure accurate reporting of attendance—were all that a Board could reasonably do, without stepping out of its lane as a policy developer and financial overseer and into the inappropriate lane of micro-manager. In addition, early on the school's beginning, the Board was specifically advised in writing by its sponsor UMKC to stop "dropping by" the school site(s) because it gave the appearance of micro-managing the prior superintendent. Accordingly, the Board kept their visits to official, pre-appointed visits.

Auditor's Comment

While the Board's charter application discusses the use of "remote" learning for some students, the application indicates this will be done under the supervision of an instructor. Also, DESE officials do not consider approval of the charter an approval of allowing remote hours to be claimed as attendance hours. Section 160.041.1, RSMo, defines a school day as ". . . in which the pupils are under the guidance and direction of teachers in the teaching process." UMKC officials stated a core data consultant was hired to assist with the entry of data into the DESE system; however, it was not the responsibility of this person to verify the accuracy of Hope Academy information. In addition, the Board's response only addresses the Board's responsibility to develop policies and procedures for the school's operation. Our report addresses the noncompliance with these policies and procedures



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as well as state law. The Board has a fiduciary duty to ensure the school is operating in accordance with state law and its own policies and procedures.

2. Academic Integrity

Numerous issues existed that bring into question the integrity of academic information maintained and reported by the Hope Academy. School officials did not follow Board policies to properly track academic information.

The Board indicated it established attendance procedures as part of its SBE approved charter and discussed those procedures with the DESE. The Board also indicated the DESE approved the procedures in 2009 and 2010; however, the details of those discussions are not available. DESE officials indicated they do not consider the attendance procedures to be appropriate.

Specifically, the Board approved and purchased a student information system in March 2010, to track attendance and academic information; however, it was discovered after the DESE's investigation that the student information system had not been engaged by the administration. The Board indicated its approved policies regarding attendance tracking were not followed. The Board members also indicated the various controls established, including review of attendance data by their accountants and financial auditors, never discovered the inaccurately reported attendance.

2.1 Odysseyware

Many students did not appear to be logged onto the Odysseyware system long enough to be credited with at least 4 hours online curriculum. In addition, students were improperly allowed to complete their online curriculum requirements from home and were not under the supervision of a certified teacher.

Our review of the Odysseyware data for the 2012-2013 school year noted students were logged onto the system an average of less than 2.5 hours per day, however, all students were awarded a full 6 hours attendance in the MOSIS because hourly attendance was not kept by the school.

A scan of Odysseyware logon and logoff times also indicated students were logged on before and after school, on weekends, and during holidays and breaks. State attendance reporting requirements indicate "students must be in attendance in an instructional capacity under the direct supervision of a certificated employee of the district to be counted for attendance purposes. A district may have policies allowing an excused absence for various purposes such as illness, religious beliefs, testing, etc. However, there is no authority to give attendance credit for state aid purposes for students not in attendance nor under the direct supervision of a certificated teacher." According to school officials, they believed the DESE exempted the school from this requirement but were unable to provide supporting documentation for this assertion.



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Failure to record student attendance hours and to comply with attendance reporting requirements allowed for the inflation of student attendance.

2.2 Service learning

Service learning records were not maintained by the Hope Academy for all students to account for the remaining 2 hours of curriculum, many service learning activities did not meet the criteria established by the state to earn these credits, and service learning records maintained were incomplete and not properly approved.

For the 2012-2013 school year, we were only able to locate service learning records for 52 students and those records were not complete. According to information entered into the MOSIS system, 130 students earned a community service credit for the 2012-2013 school year.

Service learning is defined as curriculum-based community service that integrates classroom instruction with community service activities. A review of available service learning records showed the school allowed credit for questionable activities, including babysitting, cutting grass, grocery shopping, cleaning house, and dog walking. These activities were not aligned with state service learning standards.

Also, some available service learning forms reviewed lacked (1) the name of the advisor assigned to the student, (2) the name and signature of the community service/employment supervisor, (3) dates the activities were performed, (4) the signature of the Service Learning Coordinator and/or Principal, and/or (5) adequate detail of the activity performed.

Failure to comply with the provisions of the service learning program and adequately document its use undermine the benefits of the program and allowed further inflation of student attendance.

2.3 Transcripts

Transcripts were not always prepared, properly supported, accurate, and/or complete. In addition, information recorded in transcripts prepared by the Hope Academy rarely agreed to what was reported in the MOSIS.

Transcripts serve as an official permanent academic record including all courses taken, grades received, and credits earned by each student. The Hope Academy's procedure is to support student transcripts with a student plan for graduation developed and monitored for each student during his/her time at the Hope Academy. We reviewed records for 105 graduating students for the 2012-2013 (101) and 2013-2014 (4) school years and noted the following concerns:

- Student plans could not be located for 71 students.
- Transcripts could not be located for 5 students.



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- Of the 29 students who had both a student plan and transcript, the credits awarded on the transcript did not agree to the student plan for 25.
- Class, grade, and credit information fully agreed with the MOSIS for only 2 of the 100 students that had a transcript.
- Adequate documentation of service learning credit (i.e. verification forms) could not be located for 89 of 94 students reported as participating in the service learning program.
- Several students did not have adequate Odysseyware logon times to support the online curriculum credits they earned prior to graduation. For example, one student was reported to have earned 1 credit for an English class, but never logged onto the Odysseyware system. That student was also reported to have earned 5 total academic credits, but could not be found in the Hope Academy's attendance records (Odysseyware or otherwise).

Failure to adequately document and report academic credits earned may affect a student's ability to graduate or pursue higher education.

2.4 Enrollment/Membership, Free and Reduced Lunch, and English Language Learners

Student enrollment was not always properly documented or verified and membership⁴ was not always properly reported in the MOSIS. In addition, documentation and reporting of eligibility and participation in the Free and Reduced Lunch (FRL) and English Language Learners (ELL) programs was not adequate.

Enrollment/Membership

All new and re-enrolling students were required to complete an enrollment packet, which included an application, proof of residency, lunch application, home language survey, etc. We tested 40 students for the 2012-2013 and 2013-2014 school years (20 from each year) and noted the following concerns:

- Enrollment packets could not be located for 3 students.
- Documentation to verify student residency for 14 students, such as a copy of their utility bill or lease agreement, was not included in student files.
- Four students from the October 2012 reporting cycle, 6 students from the February 2013 reporting cycle, and 4 students from the October

⁴ Membership is the number of resident students enrolled on an official count day and in physical attendance at least 1 of the 10 previous school days. This number is reported to the DESE.



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2013 reporting cycle could not be found in attendance at least 1 of the 10 days prior to the count day, but were reported as such in the MOSIS.

Free or Reduced Lunch

Students' participation in the FRL program was not always properly and accurately documented. All new and enrolling students are given an application to be completed and returned to the school to evaluate their eligibility for FRL services. We tested 32 students and noted the following concerns:

- Program applications could not be located for 19 students (5 had no student file at all), but 17 of the 19 students were reported as free or reduced lunch status.
- Of the 13 applications reviewed, 11 lacked required complete income information, applicable Department of Social Service-Family Service Division case numbers, and/or social security numbers.
- The lunch status assigned a student by the school based on the student's submitted application (free) did not match to the lunch status later entered into the MOSIS (reduced) by the school for this student.
- Nine of 32 students tested could not be found in attendance at least 1 of the 10 days prior to the count day (i.e. membership) for the February 2013 reporting cycle, but were reported as such in the MOSIS.

English Language Learners

The school did not always properly document the evaluation for student participation in the ELL program. All new and enrolling students are given a survey to be completed and returned to the school to evaluate their need for ELL services. We tested 30 students and noted the following concerns:

- ELL surveys could not be located for 5 students (only 1 of these 5 students received ELL services).
- Of the 25 surveys reviewed, 18 lacked the required date of the survey, student's name and/or grade classification, and/or person completing the survey.
- Initial ELL assessments for 3 of the 18 students that received ELL services could not be located. These assessments were initial screening tests conducted by an ELL development instructor to determine the student's proficiency level.
- Ten of the 30 students tested could not be found in attendance at least 1 of the 10 days prior to the count day (i.e. membership) for the October 2012 reporting cycle, but were reported as such in the MOSIS.



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Conclusion

The failure to properly report enrollment, FRL participation, and ELL status could allow for improperly increased state and/or federal funding.

2.5 Graduates

Attendance and graduation information reported for some 2011 and 2013 graduates may not be accurately reflected in the MOSIS. In addition, the school did not verify adequate credits were earned by all students allowed to graduate in May 2013.

August and December 2011
graduates

We reviewed records for 6 students listed on the August 2011 commencement program and 35 students listed on the December 2011 commencement program and noted the following concerns:

- Five of 35 graduating students from December 2011, were subsequently reported in the MOSIS as having almost perfect attendance (over 1,100 hours) for the full 2012-2013 school year but could not be found in the Hope Academy's 2012-2013 attendance records. These 5 students were also reported in attendance at least 1 of the 10 days prior to the count day for the February 2012, October 2012, and February 2013 MOSIS reporting cycles. In addition, the school did not report in the MOSIS that these students graduated until May 31, 2013. Information reported in the MOSIS for the 2012-2013 school year indicates these students earned primarily service learning credits during the 2012-2013 school year. This information would explain these student's lack of physical attendance and Odysseyware logons, but would not explain why they were reported in the MOSIS as being in attendance for the Hope Academy's full 6 hour school day for the entire school year or inclusion on the December 2011 commencement programs.
- The school also reported in the MOSIS that all 6 graduating students from August 2011 and most of the remaining 30 graduating students from December 2011, attended over 1,100 hours (almost perfect attendance) for the 2011-2012 school year and graduated June 1, 2012.

School officials indicated students were sometimes allowed to participate in graduation ceremonies early if they only had a few classes to complete. This policy might explain these students remaining enrolled after December 2011, but does not adequately explain their almost perfect attendance for those school years.

May 2013 graduates

We reviewed records for 27 students listed on the commencement programs from May 2013 and noted the following concerns:

- A student's transcript from a prior school could not be located to verify credits needed for graduation and accepted by the Hope Academy upon the student's transfer had been properly earned.



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- Based on documentation maintained by the school, it was unclear if 2 students had earned the proper number of credits by subject area as required by the DESE for graduation.

Failure to adequately verify and/or report graduates attendance and academic credits earned may affect the DESE, the sponsor, and the Board's ability to monitor the school's performance effectively.

2.6 Withdrawal/transfer

Students with excessive consecutive absences were not timely withdrawn. In addition, student withdrawals or transfers were not always properly documented.

School procedures required the school to drop students with 10 consecutive absences from the enrollment roster on the 11th day. For the 2012-2013 school year, we determined approximately 80 percent⁵ of the students met this criteria at some point during the school year and should have been dropped from the enrollment roster.

In addition, school unexcused absence procedures required school personnel to send a letter to a student's parent/guardian notifying him/her that their child had been absent 3 consecutive days and again when their child had been absent 10 consecutive days. A student was supposed to be dropped from the enrollment roster on the 11th day after being absent for 10 consecutive days and the parent/guardian sent a letter confirming the dropping of the student from the enrollment roster. A withdrawal/transfer form was also to be prepared by the administration and maintained in the student records along with the absence notification letters. We reviewed the files of 10 students reported by school officials as withdrawn or dropped between October 2013 and January 2014 and noted the following concerns:

- Notification letters were not present in 3 student files documenting notification of the parent or guardian of non-attendance.
- Withdrawal/transfer forms were not present in 8 student files. In addition, 2 of these 8 students were reported to have transferred to other schools, but their student file included no transfer documentation.

Untimely recording of withdrawals or transfers could allow students to continue to be reported in attendance when they were no longer present.

Conclusion

These problems resulted in the reporting of elevated attendance and the school receiving additional funding from the state. In addition, inaccurate

⁵ School records indicated 725 out of 913 students were absent for at least 10 consecutive days. However, the records were incomplete, so only an estimate is provided.



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reporting of information to the DESE reduced the ability of the DESE to effectively monitor the school's performance.

Recommendation

The Board should evaluate the integrity of data and academic information submitted to the DESE and work with the DESE to make necessary changes. In addition, the Board should determine if any overpayments resulted from inaccurate data.

Auditee's Response

The Board established policies that complied with governing law, regarding properly and accurately maintaining students' academic files, including transcripts. Further, the Board approved and purchased a student information system which included systems to track and accurately maintain academic information (i.e. grades, credit hours completed, etc.) that was not engaged at the direction of the prior superintendent.

The Hope Academy Board received from the previous administration academic data regarding which students had completed sufficient credit hours for graduation. The Board was assured that the students had completed the academic tasks and lessons that were required for graduation.

In addition, UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the Board any of the academic integrity issues found by the auditor's office.

2.1 *The attendance procedures used by the Hope Academy were set out in its charter application to the State Board of Education that was accepted and approved by the same. In addition, it was reported to the Board and verified by the Board's accountants that the attendance procedures and methodologies, as set out in the charter, were discussed with the DESE, and again approved in February 2010. Specifically, that the Hope Academy, could count toward its average daily attendance (ADA) time spent by students who logged into the computer curriculum and completed assignments outside of the classroom. The Board provided the Auditor with documentation that a conversation with the DESE occurred in February 2010 regarding how the Hope Academy was taking attendance. Including an invoice from its accountant indicating he had participated in and billed for a conference call in February 2010 with the DESE regarding attendance. It appears that the DESE did not maintain a record of its discussions with the Hope Academy. Moreover, the fact that the methodology approved in its charter was no longer*



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acceptable was not communicated to the Board, to its accountant, nor to UMKC to the detriment of Hope Academy students.

- 2.2 *The Board was not advised nor aware that students were receiving Service Learning hours for personal tasks. The Service Learning opportunities being provided to students that were communicated to the Board were appropriate, education, and mission based.*

The Board approved policies and procedures which complied with governing law that required accurate maintenance of student records, including the information surrounding a student's service learning hours, that the previous administration failed to follow.

In addition, UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the Board the service learning issues found by the auditor's office.

- 2.3 *The Board approved policies and procedures which complied with governing law that required accurate maintenance of student records, including transcripts and credit hours completed, that the previous administration failed to follow.*

It should be noted, UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the Board the transcript issues found by the auditor's office.

- 2.4 *The Board approved policies and procedures which complied with governing law that required students to be residents of the Kansas City Public Schools and to provide proof of residency. UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the*



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Board the enrollment, FRL, nor ELL issues found by the auditor's office.

- 2.5 *The Board approved policies and procedures which complied with governing law that required accurate maintenance of student records (i.e. transcripts, attendance data, credit hours, etc.). The previous administration failed to follow the policies and procedures adopted by the Board.*

In addition, UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and academic data and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the Board the issues found by the auditor's office regarding Hope Academy's alumni students' data.

- 2.6 *As noted by the Auditor, the Board approved policies and procedures which complied with governing law that required accurate maintenance of student records, (i.e. transcripts, attendance data, credit hours, etc.). The previous administration failed to follow the policies and procedures adopted by the Board.*

In addition, UMKC regularly requested access to student files to have their hired consultants verify the maintenance of files and academic data and to assure compliance. Compliance issues would be reported to the prior superintendent. On-going compliance issues or failure to correct compliance issues would have been reported to the Board. UMKC's independent consultants failed to uncover or failed to report to the Board the previous administration's failure to timely withdraw students.

Auditor's Comment

The Board's response addresses the Board's responsibility to develop policies and procedures for the school's operation. Our report addresses the noncompliance with these policies and procedures as well as state law. The Board has a fiduciary duty to ensure the school is operating in accordance with state law and its own policies and procedures.

The documentation the Board states it provided in response to the recommendation for MAR finding number 2.1 included a 2009 report that generally references attendance discussions with DESE, a January 2010 internal email referencing a DESE conference call scheduled for February 2010, and a copy of a February 2010 accounting firm bill that indicates time spent on discussions with DESE on attendance. There is nothing included in the documentation that shows how attendance was to be recorded or



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specifically what was discussed with/or approved by the DESE. As noted above, DESE officials have no documentation of either the 2009 or 2010 discussions. In addition, UMKC officials stated they hired consultants to work with the Hope Academy, but the consultants were not responsible for verifying the accuracy of data reported to the DESE.

3. Closure and Outstanding Liabilities

The Hope Academy has outstanding liabilities to the DESE for overpayments due to inflated attendance.

As a result of the DESE's review and self-reporting by the Hope Academy, DESE officials determined the Hope Academy was overpaid by approximately \$1.24 million in state funding for the first 9 months (July 2013 - March 2014) of the 2013-2014 school year. In an attempt to recoup this overpayment, the DESE withheld payments to the Hope Academy for April, May, and June 2014 of approximately \$600,000 and requested reimbursement from the Hope Academy for an additional \$640,231. On June 27, 2014, the Board offered to pay the DESE \$200,000 and enter into a payment plan for the remaining liability ". . . until the debt is paid or legal matters are resolved, whichever comes first." As of August 2015, the settlement had not been accepted by the DESE and the Hope Academy had not reimbursed the remaining 2013-2014 school year overpayments. In addition, as discussed in MAR finding number 1, the Hope Academy was overpaid at least \$3.1 million dollars based on inflated attendance for the 2012-2013 school year, resulting in an additional liability.

The Hope Academy's state revenues (based on inflated attendance) contributed to a substantial fund balance that allowed the Hope Academy to obtain approximately \$2.25 million in financing and undertake large expansion projects. The Hope Academy purchased and renovated the Paseo and Meyer campuses at a cost of approximately \$4 million. However, as a result of the concerns identified by the 2013 DESE investigation, the Hope Academy closed the Paseo campus in December 2013, after being open only 6 months, and sold furniture and technology equipment to the highest bidders for cash (\$46,330), and traded other items for information technology (IT) services (valued at \$14,100), and IT relocation services (valued at \$6,400). In May 2014, the Hope Academy relinquished, in the form of deeds in lieu of foreclosure, its Paseo and Meyer campuses to the bank that had loaned it funds to purchase and perform renovations at those campuses. In November 2014, the Hope Academy agreed to surrender its remaining physical assets from its Bennington campus to the UMKC. As of July 31, 2015, Hope Academy reported a cash balance of \$374,279.

Sections 160.400 through 160.425, RSMo, provide requirements for the organization and administration of charter schools. Statutory provisions require sponsors to develop procedures to be implemented if a charter school should close and also require charter schools to include procedures in



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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 SBE within 30 days of closure.

DESE officials indicated that any funds remaining after outstanding liabilities for overpayment of attendance are repaid should be returned to the state in accordance with Section 160.405.1(17), RSMo. The Board's legal counsel stated they do not believe the Board is subject to the statute because the statute specifies the requirements are applicable to ". . . new or revised charters of which Hope is neither." However, legal counsel and the Board agree that all monies held upon the dissolution of the corporation will be returned to the DESE because of the payments made to the Hope Academy due to the inflated attendance reporting of the previous administration.

Recommendation

The Board return any remaining funds to the DESE.

Auditee's Response

The Board provided the following response for this finding: "no additional comments."

4. Procurement Procedures and Contracting

Procurement and contracting policies and practices need improvement.

The Board did not bid the purchase of building supplies, instructional supplies, office supplies, and homeless student uniforms totaling \$189,918 for the 2012-2013 school year, including \$104,153 in supply purchases from the same vendor.

We reviewed the Board's procurement and contracting procedures for 8 professional service providers, and noted concerns with the procurement of 2 providers. With one, the Board did not solicit proposals for legal services and has no documentation to demonstrate the board has solicited proposals. Legal fees totaled \$325,023 for the 5 years ended June 30, 2014. School officials indicated the Board used this firm because of the firm's experience with other charter schools. With the other, the Board did not timely enter into a contract with the internal auditor. Due to concerns regarding attendance inflation, the Board hired an internal auditor in emergency session to offer consulting services at the rate of \$130 per hour. The internal auditor began providing services to the Board on November 8, 2013, prior to receiving Board approval on November 18, 2013. In addition, the Board paid the internal auditor her initial retainage on November 22, 2013, prior to signing and fully executing the contract on November 25, 2013. Internal audit fees for the year ended June 30, 2014, totaled \$133,075.



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Prior to April 2013, the Board's professional service procurement policies and procedures only applied to certain services, such as architectural and construction management services. The UMKC Charter Center policy authorizes the procurement of professional services to assist in the governance of the school indicating charters are free to seek bids for various professional services as needed.

Competitive bidding and periodically soliciting proposals for professional services helps ensure all parties are given an equal opportunity to participate in district business, 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. In addition, entering into written contracts prior to services being rendered or payments being made is necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure school monies are used appropriately and effectively.

Auditee's Response

The Board provided to the State Auditor evidence of the Board's legal counsel's response to a request to its RFP regarding legal counsel, including the legal counsel's letter indicating what its fees would be and the minutes thereafter showing legal counsel, presumably based on its bid had been approved by the Board.

The internal auditor retained by the Board was hired in the middle of a crisis situation. The Board had an emergency meeting on November 3 with its sponsor regarding the DESE's preliminary findings regarding inflated attendance and some of the academic integrity issues. The Board immediately sought out the external audit by the State Auditor and an internal audit so that it would be able to respond timely to the DESE's and the sponsor's request for comment on the initial findings. The interim administrator and legal counsel were given authority by the Board to bring in all the necessary persons to be able to respond to the DESE and the sponsor and to get the Hope Academy back into compliance.

Given the magnitude of the crisis the Board believes that the State Auditor is ignoring Section 34.045, RSMo, which allows procurement of services without a competitive bid in an emergency situation. The Board had been advised to prepare a response within thirty days of November 3 to the DESE's initial findings. The internal auditor began work on November 8 and on November 18 representatives from the State Auditor's Office arrived unannounced requesting documentation for their investigation.

The State Auditor has focused in on the date order in which the internal auditor began and the Board entered into its contract with the internal auditor. The Board was fully aware the internal auditor was working and



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the hourly rate was approved until her contract could be completed. This was done so that she could begin work immediately. The additional terms of the contract and the specifics of her job tasks could not be defined until she had an opportunity to see what would be involved with the project, which did not occur until ten days after she began work.

It should be noted that the internal auditor's contract and invoice for work done to date was reviewed and approved by the Board on November 18, the Monday before Thanksgiving break. The school paid its bills (sent out the checks) usually within four days after board approval, which meant the check would be dated and sent out Friday, November 22. The internal auditor went home to Arkansas on Tuesday and did not return to the Hope Academy until the Monday after Thanksgiving—at which time her contract was executed. Again, given the dire nature of the circumstances and the timing issues with a national holiday—criticizing the Board for this issue seems to be in violation of the spirit of the procurement statutes.

Auditor's Comment

The Board was unable to provide documentation of any legal service RFP or any responses to said RFP from any firms other than the aforementioned firm the Hope Academy was already doing business with. We acknowledge and are not questioning the Board's authority to procure emergency services. Rather, as noted in the finding, the contract for these services was not entered into timely, prior to services being rendered or payments being made. In addition, given the unusual circumstances that occurred leading to the procurement of this contract (as stated by the Board in their response), it was even more critical that the Board timely enter into a fully executed written contract to ensure all parties were aware of their duties and responsibilities prior to rendering services or payments to prevent misunderstandings and ensure school monies were used appropriately and effectively.

Hope Academy Charter School

Organization and Statistical Information

The Hope Academy Charter School was a charter school organized and governed under Section 160.400 through 160.425, RSMo. Charter schools are independent public schools, organized as nonprofit 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 charter 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 (SBE) for approval, along with a statement of finding that the application meets the requirements of Sections 160.400 through 160.425, RSMo, and Section 167.349, 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 SBE is responsible for ensuring the sponsor meets its obligations under the charter school law. The University of Missouri-Kansas City was the sponsor for the Hope Academy prior to closure.

In accordance with Section 160.415.4, RSMo, a charter school that has declared itself as a local education authority 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, RSMo, states a charter school shall enroll (1) all pupils residing in the district in which it operates, (2) nonresident pupils eligible to attend under an urban voluntary transfer program, or (3) if the charter school is a dropout prevention or recovery school, enroll some nonresident students from the same or an adjacent county that reside in residential care, transitional living, or independent living facilities whose last enrollment was in the district in which the charter school is established. 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 Hope Academy was located in Kansas City, Missouri. The Hope Academy began operating as a school in August 2009 and stopped offering classes in June 2014. The Hope Academy consisted of two campuses and operated the first dropout recovery charter school in Kansas City, Missouri, serving students ages 16 to 21 in grades 9 through 12. Enrollment was approximately 572 and 562 for the 2012-2013 and 2013-2014 charter school years, respectively.

School Board

The five member board acts as the policy-making body for the charter school's operations. Board members serve without compensation. The Board



Hope Academy Charter School
Organization and Statistical Information

continues to meet and handle post-closure activities. Board members at June 30, 2014, were:

Alvin Brooks, President
Rabbi Paul Silbersher,¹ Vice-President
Dr. Pat Henley, Secretary
Sister Vicky Perkins, Member²
Dr. Karla Houston-Gray, Member

¹ Board member Rabbi Paul Silbersher resigned in January 2015, and no replacement has been appointed.

² Board member Sister Vicky Perkins resigned in the July 2014, and no replacement has been appointed.

Superintendent

The district's superintendent at June 30, 2014, was Dr. LaQuanda Carpenter. Dr. Carpenter was hired as superintendent January 1, 2014, and remains superintendent to oversee the Hope Academy's closure. Her total compensation for the 2013-2014 school year was \$75,000 including \$70,000 in annual salary (\$140,000 prorated for the final 6 months of the school year) and a car allowance of \$5,000 (this amount was not prorated).

The Hope Academy's previous superintendent was Ms. Vonnelle Middleton. Ms. Middleton was promoted to this position in June 2013 prior to the opening of Hope Academy's Paseo campus. Previously, she had been principal and Chief Executive Officer since the Hope Academy's inception.

Hope Academy Charter School

Appendix - Auditee's Additional Comments

In addition to responses provided to address specific report recommendations, the following comments were also provided by the Board:

The Board wants to provide clarity regarding the dispute between Hope Academy and the University of Missouri-Kansas City (UMKC) Charter Office.

On December 2, 2013, the UMKC notified the Board of its decision to not continue as the Hope Academy's sponsor after June 30, 2014, indicating, "The decision is heavily influenced by the low Missouri Assessment Plan (MAP) scores the Hope Academy students have posted for the last four years, therefore identifying the Hope Academy as a persistently low achieving school by the Department of Elementary and Secondary Education. The Board vehemently disagreed with UMKC's position stating that the Board and UMKC had never provided the required performance agreement, pursuant to RSMo. 160.405.4(6)(c), which would have set out the agreed measures that would be used to evaluate the performance standards for Hope Academy, an alternative charter school that targeted high-risk students pursuant to RSMo. §§ 160.405.1(14), 160.405.4(6)(b) and 160.405.5.1. In addition, the agreed performance standards would inform UMKC's review process for renewal of the charter.

Rather than follow the statutory requirements, UMKC used an arbitrary and inapplicable measure to support its decision to not renew, even though Hope Academy was in the process of fulfilling the requirements for the probationary status it had received less than sixty days before. The charter school law requires that a school on probation be given sufficient time to correct the issues that had caused the status. UMKC did not allow any of the new measures to take effect; and measure whether there was improvement. In addition, UMKC promulgated to its charter schools an appeals process that was to be used when a decision to revoke probation or not renew was made. UMKC failed to follow its own promulgated process of appeals by failing to have a separate entity within the University to hear and decide Hope Academy's appeal.

The Board sued the State Board of Education in April 2014 in order to have the State Board of Education require UMKC to follow the governing statute (specifically RSMo. §§ 160.405.1(14), 160.405.4(6)(b)(c) and 160.405.5.1) and to require UMKC to follow its own internal process for appealing a decision for closure before probation was completed (RSMo. §160.405.7(2)). The case was dismissed by the trial court and the Board appealed the trial court's decision. In June 2014, the school was forced into closure as UMKC had withdrawn its sponsorship and no other sponsor was obtained. On June 9, 2015, the Western District Appeals Court affirmed the trial court's decision to dismiss the case.