Thomas A. Schweich
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.