



Thomas A. Schweich  
Missouri State Auditor

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# Renaissance Academy for Math and Science of Missouri, Inc.

## Charter School Closure

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November 2014  
Report No. 2014-110



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<http://auditor.mo.gov>



**Thomas A. Schweich**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Renaissance Academy for Math and Sciences of Missouri, Inc. Charter School Closure

Background	The Renaissance Academy for Math and Science of Missouri, Inc. (Renaissance Academy) was a charter school operating in Kansas City until May 2012. Imagine Schools, Inc., a national charter school management company, managed Renaissance Academy between 2007 and 2010, and the University of Missouri-Columbia was the school's sponsor. The Board terminated the contract with Imagine Schools, Inc. in 2010 and then voted to close the school at the end of the 2011-2012 school year. The Board sued the former management company, the management company countersued, and both suits are still pending.
Budget and Remaining Funds	The Board did not prepare and adopt a formal budget for the years ended June 30, 2013, and 2014, so the Board could not effectively plan for the allocation of resources, the need to retain funds for post-closure activities, or whether funds should be returned to the Department of Elementary and Secondary Education (DESE) for use by the local school district. As of June 30, 2014, the school still had a cash balance of \$2.5 million, although the remaining estimated disbursements total only \$1.9 million. The DESE believes remaining funds should be returned to the state.
Payments to Law Firm	The Board paid its law firm over \$194,000 to perform closure and administrative duties without soliciting proposals or determining if less expensive options were available, including a \$46,930 "recovery bonus" for filing financial reports with the DESE; at least \$29,300 for filing, faxing, and handling inquiries about student records; and at least \$21,500 for handling issues related to capital asset inventory and distribution. The Board also paid this firm \$101,000 for legal services between June 2012 and November 2013.
Disbursements	Some disbursements since the school closure were unreasonable and unnecessary for the school closure process. The Board spent \$4,355 on a meeting and holiday party, including time spent by a law firm partner to plan the party and time spent by law firm staff to open internal emails inviting staff to the party. The Board spent over \$3,000 for other Board meetings held at restaurants, including \$2,070 paid to the law firm for organizing a meal and meeting. The Board spent \$12,644 for 2 members of the Board and 3 representatives of the Board's law firm to attend the 2012 annual Missouri Charter Public School Association conference where they presented a training session on charter school closures. The Board compensated the law firm for preparing the presentation and for firm personnel's travel time and expenses. The Board did not timely pay some bills, resulting in late fees and finance charges, and Board members signed two checks where they were also the payee.

## Service Proposals and Agreements

The Board did not solicit proposals for some services and did not ensure written signed agreements defining services and benefits received were in place for all services received. For example, the Board transition team accepted a proposal for \$11,500 for inventory and storage of assets and documents, but the Board paid a total of \$314,000 for the service with no written agreement and no documentation to support the additional amount paid.

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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# Renaissance Academy for Math and Science of Missouri, Inc.

## Charter School Closure

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Board of Directors  
Renaissance Academy for Math and Science of Missouri, Inc.

The State Auditor conducted an audit of the Renaissance Academy for Math and Science of Missouri Inc. 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 Kerber, Eck & Braeckel LLP, 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 report of the CPA firm for the year ended June 30, 2012 audit. The June 30, 2013, audit has not been completed. 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 board's internal controls over significant management and financial functions.
2. Evaluate the charter school board'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, 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 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, 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 Renaissance Academy for Math and Science of Missouri, Inc.

A handwritten signature in black ink, reading "Thomas A. Schweich". The signature is fluid and cursive, with the first name "Thomas" and last name "Schweich" clearly legible.

Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Kelly Davis, M.Acct., CPA, CFE
In-Charge Auditor:	Richard Stuck
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# Renaissance Academy for Math and Science of Missouri, Inc.

## Charter School Closure

### Introduction

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### Background

The Renaissance Academy for Math and Science of Missouri, Inc. (Renaissance Academy) was a charter school operating in Kansas City until May 2012. In accordance with Section 160.400, RSMo, the Renaissance Academy formed as a not-for-profit corporation in 2007. Imagine Schools, Inc., a national charter school management company, managed Renaissance Academy between 2007 and 2010.

The Renaissance Academy Board of Directors (Board) voted in March 2011 to close the school at the end of the 2011-2012 school year. The last day of classes for the school was May 25, 2012. The Board previously terminated the contract with Imagine Schools, Inc. in 2010. After operating the charter school without a management company, the Board determined it would be in the best interest of the students and charter school to close operations and not pursue another charter contract. Officials from the charter school's sponsor, the University of Missouri - Columbia, indicated the sponsor would have withdrawn sponsorship if the Board had not voted to close.

The following table reflects actual cash receipts and disbursements for the 2 years ended June 30, 2014:

	Year Ended June 30,	
	2013	2014
Beginning cash balance	\$ 6,760,650	2,840,313
Receipts	364,632	1,465
Disbursements (by type):		
Payroll	236,824	788
Education related expenses	256,414	12,283
Building services and supplies	94,176	0
Attorney	225,883	239,581
Settlement of lawsuit	298,750	0
Accounting services	47,980	38,696
Moving and storage	312,454	1,650
Board expenses	12,488	1,604
Department of Elementary and Secondary Education (DESE)	2,800,000	0
Total Disbursements	4,284,969	294,602
Ending cash balance	\$ 2,840,313	2,547,176

Source: Renaissance Academy bank statements. Disbursements (by type) were determined by payee (i.e., vendor or employee).

The Board sued the former management company in June 2013, and the lawsuit, as well as the management company's countersuit for breach of contract, are pending. Final dissolution of the not-for-profit corporation is pending the litigation and completion of final closure activities including final storage of school records.



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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 Renaissance Academy, 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 requires 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.

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 Renaissance Academy.



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# Renaissance Academy for Math and Science of Missouri, Inc.

## Charter School Closure

### Management Advisory Report - State Auditor's Findings

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#### **1. Budget and Remaining Funds**

The Board did not prepare and adopt a formal budget for the years ended June 30, 2013, and June 30, 2014. As a result, the Board could not effectively plan for the allocation of resources, the need to retain funds for post-closure activities, or whether funds should be returned to the Department of Elementary and Secondary Education (DESE) for use by the local school district.

In May 2013, the Board disbursed \$2.8 million of its remaining cash balance to the DESE. At June 30, 2013, the school had a remaining cash balance of \$2,840,313. The Board notified the DESE the school would need to retain these remaining funds because the Board anticipated approximately \$2.7 million in additional expenditures for ongoing litigation, storage of records, and insurance. The Board provided the DESE a listing and estimated amount for each category, but did not provide detailed documentation to support the basis of the estimates.

As of June 30, 2014, the cash balance remains at approximately \$2.5 million. According to its legal counsel, the Board discussed at its March 2014 meeting the remaining funds needed for operating expenses and the Board's continued belief the remaining funds are still needed for the purposes previously determined. However, this information was not documented in the Board's March 2014 meeting minutes and the Board did not provide additional documentation to support this assertion. In addition, the remaining estimated disbursements total approximately \$1.9 million. The following table presents the remaining projected cash balance after estimated operating expenses and other estimated disbursements as provided by the Board's legal counsel.

Cash Balance at June 30, 2014	\$ 2,547,176
Projected disbursements:	
Operating expenses <sup>1</sup>	749,610
Pending litigation liability <sup>2</sup>	622,580
Potential tax liability <sup>3</sup>	300,000
Attorney fees	150,000
Document storage	23,400
Insurance	25,000
Total projected disbursements	<u>\$ 1,870,590</u>
Projected remaining balance at dissolution	<u>\$ 676,586</u>

<sup>1</sup> Operating expenses estimated as approximately 3 times the fiscal year 2014 disbursements of \$249,870. The estimate is based on 3 years of disbursements because the Board's legal counsel stated the Board has 3 years to dissolve the corporation after the conclusion of the litigation.

<sup>2</sup> The Board's former management company countersued the Board for this amount.

<sup>3</sup> The Board's legal counsel estimates the Board may owe this amount for failure to properly file as a not-for-profit corporation with the Internal Revenue Service.



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The DESE requested unobligated funds be returned in accordance with Section 160.405.1(17), RSMo, in March 2013. DESE officials indicated the department continues to believe remaining funds retained by the Board should be returned to the state. The Board's legal counsel stated they do not believe the Board is subject to the statute, despite already paying a portion of unobligated assets to the DESE, because the statute specifies the requirements are applicable to schools operating on August 27, 2012, and the school stopped operating on May 25, 2012. Irrespective of the disagreement over the statutory provisions, remaining charter school monies are public funds that should be used for the benefit of students within that district, and periodic evaluation of remaining obligations is necessary to determine if funds should continue to be retained or returned for use by the local school district.

Board policy 3110 states an annual budget will be adopted by June 30 each year according to statutory provisions and no funds may be spent that are not authorized by the annual budget. A complete budget should include separate receipt and disbursement estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. A complete and well-planned budget, in addition to meeting policy requirements, can serve as a useful management tool for the Board by establishing specific financial expectations for school closure activities. In addition, because remaining funds are public funds, the Board should consider if funds should be returned for use by the local school district.

## Recommendation

The Board of Directors develop an annual budget in accordance with Board policy. In addition, the Board should periodically evaluate remaining obligations, and consider if funds should continue to be retained or be returned for use by the local school district.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board provided the State Auditor an informal budget for its fiscal year beginning July 1, 2013. However, the Board has three on-going vendors: the storage facility for the student/school records that are required to be maintained per the Secretary of State's office and applicable statutes; its accountant; and its legal counsel for the lawsuit against the school's former educational management company. Our budget is based on the projected expenses for the litigation and our ongoing monthly fees for storage and accounting services. The Board going forward will make sure it timely approves the budget pursuant to its policy.*

*Remaining Funds: The Board agrees with the State Auditor's determination that any unobligated funds should be used for the benefit of students within Kansas City School District as set out in the applicable statutes prior to*



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*August 2012, and periodic evaluation of the remaining unobligated funds is appropriate.*

## **2. Payments to Law Firm**

The Board assigned its law firm many administrative duties related to the charter school closure in addition to legal services. The Board did not solicit proposals for these administrative duties or determine if less expensive options were available. The Board has employed the same law firm since August 2010. The Board paid the law firm over \$194,000 for closure and administrative duties and \$101,000 for legal services between June 2012 and November 2013. The majority of billings in the year ended June 30, 2014, relate to ongoing litigation.

Board members indicated they initially had 2 employees assist with some of the closure and administrative tasks. However, they were not satisfied with the employees' work and the law firm completed the work. After this change, the Board chose to utilize the law firm for the ongoing closure and administrative tasks. Board payments to the law firm for these tasks between June 2012 and November 2013 include:

- A \$46,930 "recovery bonus" for filing required financial reports with the DESE to receive the remaining federal funding due to the district. The documents were not unique from other reports filed while the school was in operation and did not require additional legal advice. The Board President described the payment as a "recovery bonus." The amount is 15 percent of the \$312,860 the Board received from the DESE.
- At least \$29,300 for filing, faxing, and handling inquiries about student records. Student record duties related to transferring student files and transcripts to the student's new school.
- At least \$21,500 for handling issues related to capital asset inventory and distribution.
- \$8,756 for preparing the presentation, travel time, and expenses for the 2012 Missouri Charter Public School Association (MCPSA) conference as discussed in MAR finding number 3.
- \$8,556 for reading or sending emails within the law firm related to items such as the presentation at the MCPSA conference, requesting confirmation of attendance at various Board related functions, and reading of carbon copy emails.
- \$1,460 for planning the December 2012 Board meeting and holiday party as discussed in MAR finding number 3. Billings included charges



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for opening email messages from one member of the firm to another inquiring if the staff member was attending the party.

- At least \$250 for reading 14 electronically generated email messages noting someone was out of the office.

Board members have a fiduciary responsibility to ensure disbursements of public funds are appropriate and reasonable. To ensure disbursements are reasonable, the Board should solicit proposals for services and consider associated costs when delegating tasks to legal counsel.

## Recommendation

The Board of Directors ensure planned and actual expenditures are scrutinized for appropriateness and reasonableness. The Board should evaluate the necessity of utilizing legal counsel to perform administrative duties related to the closing of the charter school.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board initially hired two administrators from the school to serve in an administrative capacity post-closure of the school buildings. Both quit less than thirty days before the school's final date of June 30, 2012. For a period of time the law firm had no choice but to serve in an administrative capacity to timely respond to DESE inquiries and meet the due dates for filing various reports and providing finalized core data. The Board was very fortunate that one of the attorneys for the firm was experienced and trained on how to handle the reports and data. The Board sought and hired two additional persons in the fall of 2012 to take over the administrative work being done by the firm. One person was great at her task specific to getting student records prepared to be scanned electronically and for microfiche. She executed her job timely and properly. The other was to handle the ongoing issues of providing student records to students, responding to DESE, finalizing the school's inventory and disbursement process, preparing documents for the Board meetings, and any other administrative issues that might come to the fore. Unfortunately, she was not adept at the work and the law firm kept having to go behind her to clean up and correct the records being sent to DESE and others. The Board quickly recognized it was paying twice for the same job. The position the Board took was that work needed to be done right the first time and we seemed to get that from the law firm. The work has been done and done well by the law firm and the Board believes that the payments have been appropriate and reasonable given the circumstances.*

*The Board agrees that under normal circumstances a non-legal administrative person would be an appropriate choice. However, the situation the Board has found itself in is not the ordinary circumstance, in that, any administrative person hired after the school was closed would not*



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*have had any institutional or historical knowledge regarding the year being audited. This would have resulted in legal counsel having to be consulted virtually throughout the process. A specific instance is the issue of records regarding the closure process. The Board's legal counsel informed the auditors of implementation of a transition team to develop and execute the approved closure process. This is an example of the type of critical information that might have been missed without legal counsel's involvement. The Transition Team included school staff/administrators, the sponsor, Board members, and legal counsel. All of the processes and considerations for the closure process were in the Transition Team's minutes rather than Board's minutes. Having legal counsel handling this process kept the Board from having to pay an administrative person and the firm for working on the auditors' requests. But most importantly, the Board felt secure that accurate and complete information was being provided to the auditors. Moreover, our legal counsel thought it was more important to protect the Board than collect fees. The Board does not believe, based on its past experience, that administrative personnel provide that type of loyalty to their employers.*

*The Board provided the following response to the specific issues noted in the report:*

- Recovery Bonus: The Board approved the recovery bonus for the \$312,860 from DESE because the Board would not have recovered the funds without legal counsel's expertise and guidance.*
- Records Requests: The records requests have to be responded to as obligation of the Board and personnel hired in the past failed to timely respond to students' requests resulting in complaints to DESE.*
- Inventory Disbursement: The disbursement of Renaissance's assets was a tremendous undertaking that hired staff failed to diligently complete resulting in legal counsel having to do and complete.*
- MCPSA: The Board, the sponsor and legal counsel was asked to present its closure process to the Missouri Charter Public School Association Annual Conference. The entire presentation was prepared by legal counsel with input by the Board and the Sponsor. Legal counsel did the presentation preparation with Board members and the Sponsor and prepared the hand outs for the meeting. Since Renaissance was the first voluntary closure it seemed appropriate to share our process with its good and not-so-good outcomes with the Missouri Charter community at large.*
- Emails: The Board strongly believes that legal counsel should be compensated for the time it spends on its work and that emailing is such*



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*an important part of communicating with the Board and others on behalf of the Board.*

- *Legal counsel has refunded \$1,460 to the Board for all fees associated with holiday party planning.*
- *Legal counsel has refunded \$250 to the Board for electronically generated email messages noting someone being out of the office.*

*It should be noted that legal counsel donated all of its time to the Board for all the time the firm spent in gathering documentation and responding to inquiries of the State Auditor's office. We calculate the time donated by the firm to this process to be in excess of \$10,000.*

## Auditor's Comment

The staffing issues cited by the Board occurred early in the closure process, leaving the Board with the option to hire and train qualified staff to complete the various closure and administrative tasks as opposed to using legal counsel.

Regarding the recovery bonus, while legal counsel may have recognized the need to file the financial report with the DESE, there were likely other options for completing the report that would have minimized the associated fees. As stated in the audit, the document was not unique from other reports and did not require legal advice, and such reports would normally be prepared by administrative school staff.

During our initial audit entrance conference with the Board and its legal counsel we discussed minimizing additional costs to the Board that would result from audit requests made to the Board's legal counsel. We recommend addressing concerns directly with Board members, if possible, and explained we would take steps to minimize audit requests and related costs. The Board chose to use its legal counsel as the primary audit contact. Regarding the transition team and minutes, it is unclear why Board members serving as members on the team could not inform our auditors of the team implementation and activities.

Amounts refunded by legal counsel for time spent on holiday party planning and certain email messages demonstrate the nature of items billed and reimbursed by the Board that served no significant purpose toward school closure.

The donated costs cited further illustrate the substantial costs associated with using legal counsel as the primary administrator for Board business.

## 3. Disbursements

Some disbursements since the charter school closure in May 2012 were unreasonable and unnecessary for the school closure process.



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### 3.1 Board disbursements

The Board made several purchases that were unreasonable and/or unnecessary. The law firm representing the Board receives all invoices, adds the appropriate accounting system coding, and prepares a warrant list. The firm sends warrant lists to the Board President for her review and approval. Once approved, the invoices are sent to the Board's accounting firm that prepares the checks. The accounting firm then sends the checks back to the law firm for the authorized Board members to sign.

#### Holiday party

The Board held the December 2012 meeting and holiday party at a local Kansas City restaurant. The Board purchased gifts for Board members and employees of the Board's law firm. The Board also paid for alcoholic beverages during the meeting and party.

The Board's law firm planned and participated in the party. Law firm billings related to the party included time spent by a firm partner to plan the party and time spent by firm staff to open internal emails inviting staff to the party as discussed in MAR finding number 2. Total charges for the Board meeting and holiday party were:

Item	Cost
Meal and alcohol	\$ 2,095
Attorney fees for planning	1,460
Gifts	785
Parking	15
Total	\$ 4,355

The Board President indicated the expenses incurred for the party and gifts were justified and deserved due to work done by staff and the law firm on behalf of the charter school. After we and the DESE brought these questionable disbursements to the Board's attention, the law firm paid \$792 to the Missouri State Treasurer's office in March 2014 as a reimbursement for a portion of Board gifts and alcoholic beverage purchases.

#### Meals

The Board spent more than \$3,000 for other Board meetings held at restaurants. In March 2013, the law firm again was in charge of organizing the meal and meeting at a cost of \$2,070. The Board also spent \$671 for the meal including \$57 for alcoholic beverages. In addition, the Board spent \$216 for 3 other meals.

#### MCPSA conference

Two members of the Board and 3 representatives from the Board's law firm attended the annual MCPSA Conference in St. Louis in October 2012 where they served as presenters for a training session on charter school closures. To attend and present at the conference the Board had to pay registration fees for all attendees including the presenters. The Board compensated the law firm for preparing the presentation, firm personnel time to travel to and



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from the conference, and travel expenses. The Board members indicated the school agreed to send representatives to the conference because they were asked to discuss the closure; however, that decision is questionable if the school had to cover the attendance costs. Disbursements associated with the conference include:

Item	Cost
Attorney fees	\$ 8,756
Hotel	1,448
Rental car and parking	771
Conference fees	625
Airfare to St. Louis	588
Meals	456
Total	\$ 12,644

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Public funds should be spent only on items necessary and beneficial to the charter school. Citizens have placed a fiduciary trust in their public officials to spend charter school monies in a prudent and necessary manner.

### 3.2 Untimely payments

The Board did not ensure some bills were paid timely resulting in late fees and finance charges. The Board paid 13 bills totaling \$10,930 late and incurred at least \$286 in late fees and finance charges since July 1, 2012. The Board also received late notices from at least 4 other vendors, but incurred no additional fees or charges. To prevent unnecessary fees and finance charges, procedures should be in place to ensure bills are paid timely.

### 3.3 Signing checks

Board members signed 2 checks where they were also the payee. The Board President signed a check reimbursing herself for meal expenses. The Board President was the only signor on the check. Another Board member signed a check reimbursing himself for taxi and parking fees. The Board President also signed this check.

The current procedure of allowing Board members to sign checks where they are also the payee jeopardizes the system of independent checks and balances needed for good internal control. Dual signatures would help provide assurance checks are written only for appropriate disbursements.

## Recommendations

The Board of Directors:

- 3.1 Ensure all disbursements are necessary and prudent uses of public funds.





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- 3.2 Ensure all invoices are paid timely.
- 3.3 Require dual signatures on all checks and ensure the signor is not the payee.

## Auditee's Response

*The Board of Directors provided the following written responses:*

- 3.1 *The Board has refunded to the state with the filing of its responses an additional \$2,110 for expenses associated with meals, and a copy of the cashier's check is attached to our response. With the Board's prior payment of \$792 and the law firm's refund to the Board for their legal fees, proof of which has been provided to the State Auditor's office, all expenses have been reimbursed. The Board addresses its response related to the MCPSA conference in the previous finding responses.*
- 3.2 *The Board strictly enforced its policy that no bills will be paid without its review and approval. Unfortunately, some bills consistently arrived after the Board's meeting for a given month resulting in a few late payments. However, now that there are only a handful of vendors this problem has resolved itself.*
- 3.3 *The Board has always required two signatures on every check to ensure that another Board member has viewed any disbursements, but has now instituted the requirement that a Board member cannot sign a reimbursement check to him/herself—it has to be two Board members not receiving reimbursement to execute the reimbursement check.*

## 4. Service Proposals and Agreements

The Board did not solicit proposals for some services. In addition, the Board did not ensure written signed agreements defining services and benefits received were in place for all services received. The following is a list of services without a request for proposal and/or a written agreement between June 2012 and November 2013:

- The Board transition team accepted a proposal for \$11,500 for inventory and storage of assets and documents. However, the Board paid a total of approximately \$314,000 for the service and there is no documentation for the significant additional amount paid to the vendor and there was no written agreement with the vendor.
- The Board paid its legal counsel over \$300,000 and did not solicit proposals for the services. The school had a signed agreement with the law firm from 2010. However this agreement did not include provisions for the various administrative and commissioned services discussed in MAR finding numbers 2 and 3.



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In addition, the rates charged by the firm varied from those listed in the agreement. The agreement states the hourly rate will be \$190, \$170, and \$90 for partners, associates, and paralegals respectively. The firm charged \$200, \$165, and \$100 for partners, associates, and administrative staff/paralegals respectively.

- The Board did not enter into a written agreement with the vendor used to microfiche records. Additionally, the Board solicited proposals for microfiching services but did not retain documentation of the proposals received. The only documentation available was the Board's acceptance of the winning proposal. The Board paid the vendor approximately \$18,000.
- The Board did not solicit proposals for accounting services or a forensic audit. The Board established a written agreement with the firm performing accounting services but did not enter into an agreement for the forensic audit. The Board paid the accounting firm and forensic auditor approximately \$21,000 and \$8,700, respectively.

Periodically soliciting proposals for professional services is a good business practice, 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. Clear and detailed written signed agreements are also necessary to ensure all parties are aware of their duties and responsibilities, provide a means to monitor compliance with agreement terms, prevent misunderstandings, and ensure school monies are used appropriately and effectively.

## Recommendation

The Board of Directors solicit proposals for all professional services and enter into written agreements defining services provided and benefits received.

## Auditee's Response

*The Board of Directors provided the following written response:*

*The Board received a written bid from Fry-Wagner regarding the removal and storage of all the inventory of the school. The Board was renting the buildings where the school was housed and the landlord was unwilling to allow the Board to stay in the facility beyond June 30, 2012. Accordingly, the Board had to move everything out of the buildings and store it until the disbursements to other public schools in its district could be completed. Fry-Wagner was chosen because it was the only moving company that bar-coded each item; provided digital access to the administration/Board to view the item; and would scan all items out during the disbursement process so that a proper accounting could be provided to DESE regarding how the*



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*assets were disbursed. No other company in the area could facilitate keeping up with items as they were disbursed.*

*The Board has sought out bids for legal services for the fiscal year beginning July 1, 2014.*

*The Board received bids for microfiche of the student records and accepted the best bid based on the winning bidder's experience and price.*

*The forensic accountants were vetted by legal counsel at the request of the Board and legal counsel's recommendation was ultimately accepted by the Board.*

*If the Board needs any additional vendors or services it will solicit proposals/bids and will enter into a written agreement as a best practice.*

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# Renaissance Academy for Math and Science of Missouri, Inc.

## Charter School Closure

### Organization and Statistical Information

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The Renaissance Academy for Math and Science of Missouri, Inc. (Renaissance Academy) was a charter school organized and governed under Sections 160.400 through 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 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 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 Missouri - Columbia was the sponsor for the Renaissance 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 (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 Renaissance Academy. 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 Renaissance Academy was located in Kansas City, Missouri. The Renaissance Academy began operating as a school in the fall of 2007 and stopped offering classes at the end of May 2012. Imagine Schools, Inc., a national charter school management company, managed Renaissance Academy between 2007 and 2010. The charter school consisted of two campuses and instructed grades Kindergarten through 12. Enrollment was approximately 1,100 for the 2011-2012 charter school year.



Renaissance Academy of Math and Science of Missouri, Inc.  
Charter School Closure  
Organization and Statistical Information

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**School Board**

The five member Board acts as the policy-making body for the charter school's operations. Board members serve without compensation. Members of the Board at July 31, 2013, were:

Tomika Booker, President  
Ricardo Houston, Member  
Wanda Frazier, Member  
Sharon Britton, Member  
Vacant, Member<sup>1</sup>

<sup>1</sup>Board member Anita Haney resigned effective September 20, 2012, and no replacement has been appointed.