

OPEN WORLD FAMILY SERVICES, INC.



INVESTIGATIVE AUDIT
ISSUED JUNE 4, 2014

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**DIRECTOR OF INVESTIGATIVE AUDIT
AND ADVISORY SERVICES**
ROGER W. HARRIS, J.D., CCEP

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Three copies of this public document were produced at an approximate cost of \$1.95. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 10382 or Report ID No. 50110031 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 4, 2014

**KIM CASSELL, EXECUTIVE DIRECTOR,
AND BOARD OF DIRECTORS
OPEN WORLD FAMILY SERVICES, INC.**
New Orleans, Louisiana

We have audited certain transactions of Open World Family Services, Inc. Our audit was conducted in accordance with Title 24 of the Louisiana Revised Statutes to determine the propriety of certain financial transactions.

Our audit consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our audit was significantly less than that required by *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the Orleans Parish District Attorney, the United States Attorney for the Eastern District of Louisiana, the Louisiana Board of Ethics, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

OPEN WORLD 2014

TABLE OF CONTENTS

	Page
Executive Summary	2
Background and Methodology.....	3
Findings and Recommendations:	
Open World Reimbursed Grant Funds for Expenses Not Incurred	4
Executive Director Used Public Funds for Personal Purposes	6
Improper Use of Grant Funds.....	8
Executive Director’s Improper Payments to Immediate Family Members	10
Recommendations	11
Legal Provisions.....	12
Management’s Response	Appendix A

EXECUTIVE SUMMARY

Open World Reimbursed Grant Funds for Expenses Not Incurred

Between June 2009 and February 2012, Open World Family Services, Inc. (Open World) submitted reimbursement requests to the Louisiana Department of Education (DOE) that included false information to support expenses totaling \$116,323 which Open World did not incur. Reimbursement requests were also submitted for employee benefits totaling at least \$13,079 which were not paid by Open World. By submitting reimbursement requests that included false information, Open World improperly received \$129,402 in reimbursements from DOE and may have violated state and federal laws.

Executive Director Used Public Funds for Personal Purposes

From May 2009 to October 2011, Executive Director Kim Cassell improperly used public funds totaling \$11,108 for her personal benefit or for the personal benefit of other individuals associated with Open World. The public funds were spent on (1) personal travel; (2) college tuition payments; (3) veterinarian and pet supplies; and (4) a homeowner's insurance payment. By using public funds for her personal benefit or the personal benefit of others, Ms. Cassell may have violated state and federal laws.

Improper Use of Grant Funds

From May 2009 to February 2012, Open World used grant funds totaling \$148,596 for purchases and expenses not included in approved grant budgets. This amount includes (1) \$97,961 for rent, utilities, and building improvements; (2) \$16,758 in undocumented debit card withdrawals; (3) \$7,204 in undocumented airfare charges; (4) \$15,340 for insurance policies; and (5) \$11,333 for vehicle expenses. By using grant funds for unauthorized purposes, Open World appears to have violated its grant agreements and may be required to reimburse funds improperly spent.

Executive Director's Improper Payments to Immediate Family Members

From December 2009 to February 2012, Ms. Cassell issued payments totaling \$18,414 to her immediate family members in possible violation of Open World's contract with DOE and state law.

BACKGROUND AND METHODOLOGY

Open World Family Services, Inc. (Open World) was a Louisiana non-profit corporation from August 21, 2003, until it was voluntarily dissolved on June 20, 2012. Open World was developed as an outreach program to help students in New Orleans grow academically and to promote excellence in literacy/reading, mathematics/numeracy, science and social studies.

Open World was a quasi-public agency¹ as defined by Louisiana audit law [Louisiana Revised Statute (La. R.S.) 24:513] and, therefore, was required to report all expenditures of public funds to the Louisiana Legislative Auditor (LLA) in an annual financial statement report.² From January 2009 through May 2012, Open World received \$1,564,831 in state grant funding, including \$1,293,300 (83% of grant funds) from the Louisiana Department of Education (DOE) for the 21st Century Community Learning Centers Program (CCLC). CCLC is a federally funded program that funds community learning centers to provide academic enrichment opportunities for students who attend high poverty and low-performing schools.

Louisiana law³ requires that when a quasi-public agency's public funds are commingled with other funds, the other funds of the quasi-public agency shall be audited as public funds. Although Open World received a small amount of private donations, all of its funds (public and private) were deposited in the same bank accounts. Open World did not establish and maintain a separate accounting of its public and private funds.

Although Open World received and expended public funds since 2008, Open World only engaged an external auditor to perform an audit, as required by state law, for the year ended December 31, 2010. The auditor issued a disclaimer of opinion on the financial statements because, among other things, Open World's accounting and reporting process for cash, payroll taxes payable, fixed assets, grants receivables, and net assets were ineffective. After receipt of the external auditor's report, the LLA began an audit of Open World. The period covered by this audit is January 1, 2009 to May 31, 2012, the date Open World ceased operations.

The procedures performed during this audit included:

- (1) interviewing Open World employees;
- (2) interviewing other persons as appropriate;
- (3) examining selected Open World documents and records;
- (4) gathering and examining documents and records from external parties; and
- (5) reviewing applicable state and federal laws and regulations.

FINDINGS AND RECOMMENDATIONS

Open World Reimbursed Grant Funds for Expenses Not Incurred

Between June 2009 and February 2012, Open World Family Services Inc. (Open World) submitted reimbursement requests to the Louisiana Department of Education (DOE) that included false information to support expenses totaling \$116,323 which Open World did not incur. Reimbursement requests were also submitted for employee benefits totaling at least \$13,079 which were not paid by Open World. By submitting reimbursement requests that included false information, Open World improperly received \$129,402 in reimbursements from DOE and may have violated state and federal laws.⁴

From June 2009 through April 2012, Open World was primarily funded through the 21st Century Community Learning Center (CCLC) grant. The grant funds were paid by DOE on a cost reimbursement basis. As such, DOE required Open World to submit bimonthly reimbursement requests based on actual expenditures and required Open World to list amounts paid to vendors, including the check number, amount and date each check was issued. Requests for salaries and employee benefits were allowed to be based on projected amounts; however, these projected amounts were required to be later reconciled and adjusted by Open World to ensure that it (Open World) was only reimbursed for actual costs.

Reimbursements for Specific Expenses Not Incurred

Ms. Arifah Lightburn, former administrative assistant to Executive Director Kim Cassell, stated that she completed the reimbursement requests based on information provided by Ms. Cassell and would then submit the requests to Ms. Cassell for review and signature approval. According to Ms. Lightburn, Ms. Cassell instructed her to pull blank checks and use/record the blank check numbers on the requests to seek reimbursement for “projected” vendor expenses. Using blank check numbers on the requests for reimbursement gave the appearance that Open World had incurred the expenses and paid the vendors when they had not done so. Ms. Lightburn added that Ms. Cassell indicated that she (Cassell) would write the checks at a later date. Ms. Cassell stated that most of the expenses had been incurred, but some were projections. She stated there could be instances in which check numbers on the requests for reimbursement would be different from the actual check numbers used to pay expenses.

Our audit revealed that Open World’s requests for reimbursement listed 129 specific checks (all payable to vendors) totaling \$221,624; however, Open World’s records indicate that only 74 of these checks totaling \$105,301 actually cleared its bank accounts. Therefore, 55 of these checks totaling \$116,323 were either not issued or not cashed. As a result, Open World appears to have requested reimbursements from DOE for expenses that were not incurred and then used those funds for other purposes. The total number of checks listed on the DOE requests for reimbursement, as well as the number and amount of checks that cleared Open World’s bank accounts, are included in the following table:

Disposition of Checks Listed on Reimbursement Requests Submitted to DOE						
Program Year	Total Checks Listed	Total Checks Cleared	Difference: Total Checks Not Cleared	Total Amount of Checks Listed on the Requests	Total Amount of Checks Cleared	Difference: Total Amount of Checks Not Cleared
2009	73	44	29	\$102,457	\$59,041	\$43,416
2010	42	23	19	102,899	34,375	68,524
2011	14	7	7	16,268	11,885	4,383
Total	129	74	55	\$221,624	\$105,301	\$116,323

In addition to listing checks for which expenditures were never incurred, many of the checks that cleared the bank were actually issued payable to a different vendor for a different service or were issued to the listed vendor but in a subsequent period. As such, Open World appears to have routinely requested reimbursement for expenses that it did not incur or, alternatively, for expenses that it had not yet incurred.

The following are specific examples of reimbursements received by Open World for which the expenses were not incurred:

Transportation Expenses

From May 2009 to June 2011, Open World's requests for reimbursement included 31 separate check numbers representing payments totaling \$108,571 to two different bus companies. However, Open World's records indicate that only 23 checks totaling \$62,677 were issued to bus companies during the same period. As a result, Open World appears to have improperly received reimbursements totaling \$45,894 for bus transportation expenses that it did not incur.

For example, requests for reimbursements covering May 2009 and June 2009 included three check numbers which represented three payments to bus companies totaling \$13,900. A review of Open World bank statements indicated that only one of these checks (in the amount of \$3,533) was actually issued to a bus company and it was issued three months later on September 2, 2009. Of the remaining two checks, one never cleared the bank account and the other was issued payable to a different vendor for a different purpose.

Audit Expenses

During the second and third CCLC program years (2010 and 2011), Open World submitted requests for reimbursement which included three separate check numbers representing payments totaling \$14,250 for audit services. However, only two checks

totaling \$7,250 were actually issued to the auditor resulting in Open World improperly receiving \$7,000 for audit expenses it did not incur.

Life Choice and Community Wellness Services

From April 2011 to May 2011, Open World submitted requests for reimbursement which included two checks totaling \$5,000 to a local pastor for services related to “life choice and community wellness” and “family wellness.” According to Open World bank statements, neither of these checks cleared the bank account. However, we noted that other checks were subsequently paid to the pastor for monthly rent and utilities, not “life choice and community wellness” and “family wellness” as indicated on the requests for reimbursement. Furthermore, we noted that rent expenses were not budgeted for in this grant and that Open World actually paid a different vendor for the life choice and family wellness services. As a result, Open World appears to have improperly received reimbursements totaling \$5,000 for expenses not incurred.

Reimbursements for Employee Benefits Not Paid

In addition to submitting false information regarding checks paid to specific vendors, Open World submitted requests and received reimbursements for employee benefits totaling \$13,079 for which no expense was incurred. Employee benefits included payroll taxes (Social Security and Medicare), workers’ compensation, and unemployment compensation.

From May 2009 to February 2012, Open World submitted requests for reimbursement and received reimbursements totaling \$68,325 for employee benefits. However, our audit revealed that Open World made no payments for these expenses during 2009 and only made payments totaling \$55,246 from April 2010 to April 2012. As a result, it appears that Open World received reimbursements for employee benefits totaling \$13,079 for expenses not incurred.

In summary, by submitting requests for reimbursement to DOE which contained false and/or misleading information for expenses that were not incurred, Open World may have violated state and federal laws.⁴

Executive Director Used Public Funds for Personal Purposes

From May 2009 to October 2011, Executive Director Kim Cassell improperly used public funds totaling \$11,108 for her personal benefit or for the personal benefit of other individuals associated with Open World. The public funds were spent on (1) personal travel; (2) college tuition payments; (3) veterinarian and pet supplies; and (4) a homeowner’s insurance payment. By using public funds for her personal benefit or the personal benefit of others, Ms. Cassell may have violated state and federal laws.⁵

Ms. Cassell maintained Open World’s debit card and was the only employee to sign checks. During the period covered by our audit, Open World was primarily funded through state

grants which were not accounted for separately from private donations in Open World's records. We were unable to find documentation to support the authorization or the business purpose of these charges/expenses. In addition, these personal expenses were not part of any approved grant budgets nor were they included on requests for reimbursement submitted to Open World's grantor agencies. The following are details of Ms. Cassell's improper use of Open World's funds:

1. Personal Travel

From September 2010 to November 2010, Ms. Cassell incurred charges on Open World's debit card totaling \$5,875 that appear to have been associated with personal travel. Examples of where these charges were incurred are provided below:

Monrovia, Liberia

Ms. Cassell's time sheets from September 18, 2010 to October 19, 2010, indicate that she was on vacation and traveling. Open World bank records for the same time period indicate that Ms. Cassell made debit card withdrawals in Monrovia, Liberia totaling \$4,576. In addition, we noted that Ms. Cassell incurred airfare charges totaling \$200 on October 17, 2010. There was no documentation to support the business purpose of these travel expenses charged on Open World's debit card.

When asked about her travel to Monrovia, Ms. Cassell indicated she took this trip for the purpose of registering Open World as a Non-Government Organization (NGO) in West Africa (Monrovia). Ms. Cassell stated that she used personal funds to pay for her airfare to Monrovia but did use the Open World debit card to pay a \$200 airfare charge on her return trip from Monrovia. Ms. Cassell stated that she used Open World's debit card in Monrovia to make cash withdrawals to pay her salary; however, we noted that these withdrawals were classified as miscellaneous expenses in Open World's general ledger.

Brooklyn Center, Minnesota

Open World bank records indicate that from November 23, 2010 to November 28, 2010, Ms. Cassell incurred charges on the debit card totaling \$1,099 in Brooklyn Center, Minnesota. This amount included \$714 in ATM withdrawals and \$385 in miscellaneous charges. There was no documentation to support the business purpose of these travel expenses.

Ms. Cassell's time sheet indicated that she was traveling during this time period. Ms. Cassell stated that this trip was both personal and business related because she visited one of Open World's board members who lived in Minnesota. Ms. Cassell could not explain the purpose for the ATM withdrawals. In addition, records indicate that Open World did not request reimbursement for any of these expenses from its grantor agencies.

2. Payments for College Tuition

On January 15, 2010 and January 19, 2011, Ms. Cassell issued two Open World checks totaling \$4,051 to the University of New Orleans to pay tuition for her assistant, an Open World employee. We noted that tuition expense was not budgeted in any of the grants received by Open World. Open World payroll records indicate that from February 2010 to July 2010, the employee repaid \$3,551 through payroll deductions. Therefore, it appears that Ms. Cassell's assistant still owes Open World \$500 for the unpaid balance of this loan. Ms. Cassell stated that she gave her assistant payroll advances to pay tuition but was unaware her assistant still owed Open World \$500.

3. Veterinarian and Pet Supplies

From May 3, 2009 to December 27, 2010, Ms. Cassell incurred debit card charges totaling \$684 for veterinarian services and pet supplies. There was no documentation to support these charges and these expenses were not budgeted in any of the grants received by Open World. Ms. Cassell stated that these were personal expenses. She explained that there were times in which she did not receive a paycheck so she would use Open World's debit card to make personal purchases.

4. Home Owner's Insurance

On December 7, 2010, Ms. Cassell issued an Open World check in the amount of \$498 to the Louisiana Citizens Property Insurance Corporation (LCPIC). The check referenced a policy number matching an LCPIC invoice for a policy covering a residential address owned by Ms. Keisha Keller, Open World board president. Ms. Cassell stated that she paid the insurance for Ms. Keller's nonprofit, Esther's Haven House, because Esther's Haven House was a community partner and the insurance was due.

In summary, by using public funds for her personal benefit or the personal benefit of others, Ms. Cassell may have violated state and federal laws.⁵

Improper Use of Grant Funds

From May 2009 to February 2012, Open World used grant funds totaling \$148,596 for purchases and expenses not included in approved grant budgets. This amount includes (1) \$97,961 for rent, utilities, and building improvements; (2) \$16,758 in undocumented debit card withdrawals; (3) \$7,204 in undocumented airfare charges; (4) \$15,340 for insurance policies; and (5) \$11,333 for vehicle expenses. By using grant funds for unauthorized purposes, Open World appears to have violated its grant agreements and may be required to reimburse funds improperly spent.

From May 2009 to February 2012, Open World received state grant funds based on approved budgets. These funds were commingled in one bank account with private donations and a separate accounting of these funds was not prepared and maintained by Open World. Also,

as mentioned earlier, records indicate that Open World received reimbursements from DOE for budgeted amounts; however, in many instances, these amounts were not incurred or had yet to be incurred. (See finding, *Open World Reimbursed Grant Funds for Expenses Not Incurred*.) Our audit revealed that Open World received grant funds for expenses not incurred and, in turn, used the funds for other purposes which were not included in the approved grant budgets.

1. Rent, Utilities and Building Improvements

During the period in which Open World received state grant funds, Open World moved the location of its operations in New Orleans three times and made (1) rent payments totaling \$57,999; (2) utility payments totaling \$20,095 which included electricity, sewerage and cellular phone service; and (3) building improvements and maintenance payments totaling \$23,467. With the exception of \$3,600 paid for rent, the remaining rent payments, utility payments, and building expenditures were not in the approved grant budgets and do not appear to have been directly related to providing services under these grants. The grants received by Open World generally required that the program services be provided at off-site locations, such as local schools. Furthermore, documentation indicates that during 2011, Open World was in the process of applying for a daycare license through the Louisiana Department of Social Services. We noted that the location listed on the license application was the same location/facility for which Open World used grant funds for the payment of rent, utilities and improvements. Ms. Cassell stated that Open World funds were used to pay for utilities and building improvements and acknowledged that these items were not included in the grant budget.

2. Debit Card Withdrawals

From June 2009 to November 2011, Open World's bank records show debit card withdrawals totaling \$16,758. This amount included ATM withdrawals totaling \$13,710; eight MoneyGrams (funds transfers) totaling \$1,834; and international phone card purchases totaling \$1,214. There was no documentation to support the business purpose of these withdrawals.

Ms. Cassell had no explanation for the ATM withdrawals but stated that the MoneyGrams were purchased for relatives of Open World students who moved from Louisiana and needed assistance in paying utilities and rent. Ms. Cassell added that the international phone cards were purchased for communicating with her "community partners" in Monrovia. We noted that these expenses were not budgeted in any of the grants received by Open World.

3. Airfare Charges

From July 2010 to October 2011, Open World incurred expenses totaling \$7,204 on airfare for which there was no documentation to support the business purpose of the charges. These amounts were not approved in any grant budgets. We noted that during the same period of time, Ms. Cassell took personal trips to Monrovia, Africa; Brooklyn Center, Minnesota; and San Francisco, California. Ms. Cassell stated that she used personal funds to pay the airfare charges for her personal trips. She added that the undocumented airfare charges were for conferences, but she did not retain documentation to substantiate these charges.

4. Insurance Policies

From June 2009 to November 2011, Open World incurred expenses totaling \$28,140 for the purchase of insurance policies. However, approved grant budgets only allowed a total of \$12,800 for liability insurance. As such, it appears that other insurance policies totaling \$15,340 (which were not included in approved grant budgets) were purchased with grant funds. Because of a lack of documentation and the fact that many of these payments were drafted from Open World's bank account, we could not determine the type of policies or the amounts of coverage.

5. Vehicle Expenses

Open World used grant funds totaling \$11,333 to pay for fuel and vehicle repairs; however, none of these expenditures were included in approved grant budgets. Between September 25, 2009 and February 13, 2012, Open World used funds totaling \$7,149 for vehicle repairs and \$4,184 for fuel purchases. Ms. Cassell stated that grant funds were used to pay for fuel and repairs and she acknowledged that these expenses were not budgeted.

Open World's articles of incorporation indicate that if the corporation should be dissolved or liquidated, then all assets shall inure to the local parish government or its equivalent or successor. Although Open World dissolved in June 2012, the vehicles owned by the corporation do not appear to have been transferred to the local parish government. Office of Motor Vehicles records indicate that there are currently four vans still registered under the defunct corporation's name. These records indicate that the registration on three of the vans has expired and the fourth is due to expire in September 2015.

In summary, by using public funds for purposes which were not included in the approved grant budgets, Open World appears to have violated its grant agreements and may be required to reimburse funds that were improperly used.

Executive Director's Improper Payments to Immediate Family Members

From December 2009 to February 2012, Ms. Cassell issued payments totaling \$18,414 to her immediate family members in possible violation of Open World's contract with the Louisiana Department of Education (DOE) and state law.⁶

The amounts paid to Ms. Cassell's immediate family members consisted of payments totaling \$10,865 to her brother, Alan Cassell, and \$7,549 to her daughter, Alana Cassell.

Ms. Cassell stated that her brother, Alan Cassell, was paid for handling maintenance and construction issues and preparing meals for the summer program. Ms. Cassell also stated that her daughter, Alana Cassell, worked for Open World teaching children while she was in college.

However, according to Open World's contract with DOE, the Code of Governmental Ethics (Louisiana Revised Statute 42:1101 *et seq.*) applied to the contracting party (Open World) in the performance of services called for in the contract. Because the Code of Governmental Ethics applied to the performance of services, Ms. Cassell was prohibited from entering into transactions with her immediate family members.^A As a result, Ms. Cassell may have violated the terms of Open World's contract with DOE and the state's ethics laws.⁶

Recommendations

We recommend that Open World management seek legal advice as to the appropriate civil and criminal actions to be taken, including recovering funds related to personal expenditures made on behalf of Ms. Cassell and others and transferring all remaining assets to the appropriate local parish government in accordance with the articles of incorporation. In addition, should a successor corporation be formed, we recommend the successor corporation do the following:

- (1) ensure that all records submitted as documentation for grant reimbursements are genuine and accurate;
- (2) establish separate bank accounts and fund accounting to properly account for all grants;
- (3) develop written policies and procedures to ensure that grant funds expended are properly authorized, expended for a public purpose, and properly documented;
- (4) comply with the state audit law;
- (5) implement written policies and procedures to ensure compliance with the Code of Governmental Ethics; and
- (6) repay all misused funds to the appropriate grantor agencies.

^A La. R.S. 42:1102 (13) defines "Immediate family" as it relates to a public servant to mean his children, the spouses of his children, his brothers and their spouses, his sisters and their spouses, his parents, his spouse, and the parents of his spouse.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 24:513 (A)(1)(b)(iv)** defines a quasi-public agency as “any not-for-profit organization that receives or expends any local or state assistance in any fiscal year.”

² **La. R.S. 24:513(A)(3)** states, in part, that “the financial statements of the offices of the independently elected public local officials, including judges, sheriffs, clerks of court, assessors, and district attorneys, all parish governing authorities and all districts, boards, and commissions created by parish governing authorities either independently or in conjunction with other units of government, school boards, district public defender offices, municipalities, and all boards and commissions created by municipalities, either independently or in conjunction with other units of government, city courts, quasi-public agencies, housing authorities, mortgage authorities, or other political subdivisions of the state not included within the state's Comprehensive Annual Financial Reports, hereinafter collectively referred to as "local auditee", shall be audited or reviewed by licensed certified public accountants subject to Paragraphs (5) and (6) of this Subsection, but may be audited by the legislative auditor pursuant to Paragraph (4) of this Subsection.”

La. R.S. 24:514(J)(1)(c) states, in part, that “the financial statements of local auditees, as defined in Paragraph A(3) of this Section, shall be audited as follows:...”

³ **La. R.S. 24:513(J)(1)(d)** states, in part, that “if the state or local assistance received and/or expended by a quasi-public agency or body is commingled with other funds of the quasi-public agency or body then such state or local assistance and other funds of the quasi-public agency or body shall be audited pursuant to Subparagraph (1)(c) of this Subsection.”

⁴ **La. R.S. 14:67 (A)** states, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

La. R.S. 14:133 (A) states, “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact.”

18 United States Code (U.S.C.) §666(A) defines theft concerning federal funds, in part, as “an agent of an organization who embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property.”

⁵ **La. R.S. 14:67 (A)** states, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

18 U.S.C. §666(A) defines theft concerning federal funds, in part, as “an agent of an organization who embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property.”

⁶ **La. R.S. 42:1112 (B)** states, in part, “No public servant, except as provided in R.S. 42:1120, shall participate in a transaction involving the governmental entity in which, to his actual knowledge, any of the following persons has a substantial economic interest: (1) Any member of his immediate family.”

La. R.S. 42:1113 (A)(1)(a) states, “No public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.”

APPENDIX A

Management's Response

THE CREAR LAW FIRM, LLC

4747 Earhart Blvd., Suite I
New Orleans, Louisiana 70125

RECEIVED
2014 MAY 12 AM 8:29

Jauna A. Crear, Esq., MBA
Attorney At Law/Notary Public
jcrear@crearlaw.com

2014 MAY 12 AM 8:29
Office: (504) 365-1545
Fax: (504) 327-5780
www.crearlaw.com

May 8, 2014

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

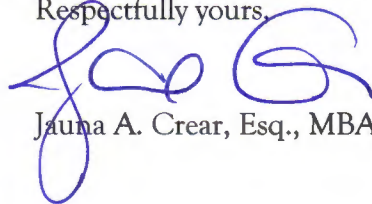
RE: Response by Kim Cassell, Executive Director, Open World Family Services, Inc to
Draft Investigative Audit Report

Dear Mr. Purpera:

On behalf of Open World Family Services, Inc., please find enclosed a Response to the draft investigative audit report, which was initially sent to Open World Executive Director, Kim Cassell, by letter dated April 16, 2014.

If you have any questions, comments, or concerns, please do not hesitate to contact me. Until then, I remain

Respectfully yours,



Jauna A. Crear, Esq., MBA

CC: Roger W. Harris, JD, CCEP
Kim Cassell

RESPONSE BY OPEN WORLD FAMILY SERVICES, INC.
TO FINDINGS OF THE DRAFT INVESTIGATIVE AUDIT REPORT

FINDING I:

Open World reimbursed grant funds for expenses not incurred.

RESPONSE:

Generally speaking, Open World operated on a very limited budget, considering the size and nature of the programs offered. Additionally, Open World's Executive Director, Kim Cassell, had no prior experience in non-profit financial management. As such, she made a number of errors that showed a lack of knowledge of grant management. At no time did Ms. Cassell aim to misappropriate Open World's funds, but the lack of robust accounting coupled with her lack of knowledge led to a number of errors in funds management. For example, when faced with a case crunch, Ms. Cassell presented requests for reimbursement before the actual underlying expense had been incurred, and in the vast majority of instances, she later used those funds to pay the vendors mentioned in the reimbursement request. The reimbursement requests required that she include check numbers in order to get reimbursed, so she supplied check numbers *with the intention of using those check numbers in the future*. The books were not kept in a consistent (daily, or at least weekly) manner, making it difficult for auditors to locate the exact transaction that lined up with the requests for reimbursement, but Ms. Cassell asserts that the vendors were paid. Sometimes, the payments were later, much later, but the auditor reported that those amounts weren't paid at all. Ms. Cassell maintains that all funds received from this source were used for program-related and/or business-related transactions.

Bus Companies: Some of the bus companies were paid with cashier's checks. Cash for the cashier's checks came from the operating account by Ms. Cassell going to the bank and getting a cashier's check. Open World submitted receipts to support these transactions.

Audit expenses: At the time Open World requested reimbursement, they had entered into a contract for audit services and agreed to pay \$7,250 for the first year's audit and \$7,000 for the second year's audit. Although the \$7,000 expense had not been incurred at the time of the request for reimbursement, Ms. Cassell wrongfully believed that the contract, itself, was sufficient to request reimbursement. When the payment for the second audit was finally due, the IRS levied Open World's bank account, leaving Open World incapable of issuing the second payment. The IRS kept approx. \$14-15K, releasing only funds necessary to meet payroll.

Pastor: The original arrangement with the pastor was for him to offer the services, and Open World would be able to use his space. Once Open World relocated to his building, he did not offer those services, but Open World was still required to pay to be in the building. Because he did not offer the services, Open World hired an alternate vendor to provide life choices and family wellness services. The Pastor was paid rent only, going forward.

Payroll taxes: For approximately the first six months of the grant, Open World did not make payroll tax payments because the Open World staff did not know how to pay the taxes. During this period, Open World paid all employees their gross wages; Open World withheld nothing. Open World now realizes that they should have withheld taxes from their employees'

checks, or at a minimum, they should have 1099'd the employees for this period. They did neither. At the end of the year, Open World issued regular W2's to the employees for all of 2009, leaving Open World with a substantial tax liability for payroll taxes (for funds we never withheld). Again, we did not know how to pay the taxes.

Around Nov. 2009, Open World hired a bookkeeper, who set up the system for payment of current tax liabilities as they arose. He also attempted to establish a payment plan to address back tax payments. Ultimately, the IRS levied the Open World bank account in Dec 2011 (there was also another levy on another date) for the back taxes. Ms. Cassell believes, but is not certain, that the funds retained by the IRS at that time paid the remaining balance of outstanding payroll taxes.

FINDING II:

Executive Director used public funds for personal purposes.

RESPONSE:

It is noteworthy that Open World never requested reimbursement for these funds from any governmental grant agency. It is also noteworthy that some of Open World's funds came from non-governmental sources, including the GPOA Foundation. These expenses are not related to the grant that is the subject of this report. However, due to Open World's lack of regular accounting and/or bookkeeping, the funds in the Open World bank account were hopelessly commingled, leaving the auditor to assess both grant and non-grant funds and their usage.

1. Personal Travel

Monrovia, Liberia: The September/October 2010 trip to Liberia was for both business and personal purposes, as Ms. Cassell was working to gain Open World's NGO status while there. The organization was officially recognized as an NGO in Liberia for a three-year period commencing on October 14, 2010. Because of the extended time period of the Liberia trip, Ms. Cassell did not have access to her paycheck. She, instead, made cash withdrawals to pay her salary, as stated in the auditor's report. The cash withdrawals were miscategorized in the general ledger by Open World's bookkeeper, as "miscellaneous" because the bookkeeper was unsure of the purpose of the transactions. Ms. Cassell did not properly review the books that the bookkeeper created because she did not truly understand how to read the books. Instead, she hired a replacement bookkeeper and asked him to review the first bookkeeper's work. When the second bookkeeper did not recommend any changes, Ms. Cassell assumed that the prior bookkeeper's work was accurate. Ms. Cassell now understands that she had a duty to review the books and ensure that each transaction was properly coded. While the cash withdrawals were not accounted for properly, Ms. Cassell maintains that she did not act improperly in making the withdrawal(s).

Brooklyn Center, MN: Ms. Cassell made a trip to see a board member with whom she also has a personal relationship. Because of the mixed personal and business nature of this trip, Ms. Cassell thought it appropriate to use company funds for certain business-related expenses incurred on the trip, but she used personal funds for the majority of the trip expenses.

2. Payments for College Tuition

Ms. Cassell admits advancing tuition payments for her assistant, with the understanding that the assistant would repay the funds through payroll deductions. Ms. Cassell was not aware

that her assistant had failed to repay the entire amount borrowed for college tuition because the assistant was responsible for tracking the repayments, and Ms. Cassell believed that everything had been repaid.

3. Veterinarian and Pet Supplies

Ms. Cassell does not dispute the allegations against her in the draft audit report. However, she also states that she made multiple purchases of several hundred dollars using her personal funds for Open World and never wrote herself a reimbursement check because she considered small transactions like these to be reimbursement for those transactions. Ms. Cassell now understands the correct way to reimburse business expenses for which she used personal funds, but she did not understand this at the time.

4. Homeowner's Insurance

The Homeowner's Insurance payment was made to a partner agency (Esther's Haven House) to help them cover a necessary business expense (insurance on their building). Ms. Cassell acknowledges that this was not the cleanest transaction. She could have, for example, made a loan to the partner agency, allowing them to pay their insurance and ensuring that Open World was later reimbursed. However, at the time, she was not aware that this transaction was potentially problematic. The funds used in this transaction did not inure to the benefit of any individual. Esther's Haven House operates from this location, and no individual resides in the location (with the exception of the homeless people and domestic violence victims housed by Esther's Haven House at the location.)

FINDING III:

Improper Use of Grant Funds

RESPONSE:

The Open World bank account held the commingled funds received from a number of funding sources. This fact, coupled with a lack of consistent bookkeeping, makes allocation of expenses to a particular grant difficult, at best. Although some of the funds mentioned in this section were paid by the 21st Century grant, it would be improper to assume that all funds distributed from the Open World bank account were attributable to the 21st Century grant. That is simply not the case.

1. Rent, Utilities, and Building Improvements

Open World uses one bank account, and for the majority of the grant period, Open World lacked proper accounting/bookkeeping knowledge and services. Open World's rent, utility, and building improvement expenses are clearly proper business-related expenses. However, these expenses should not have been allocated to this grant, with the exception of the \$3,600 budgeted for that purpose through this grant. The remaining rent funds should have been allocated to other grants, whose budgets reflected rent that was reimbursable.

2. Debit Card Withdrawals

The system for tracking ATM withdrawals from Open World's account was to write a note on the back of the ATM receipt explaining the transaction. Unfortunately, Ms. Cassell was unaware of the location of these receipts until fairly late into this investigation. She did produce

the receipts for the investigators at some point in 2013, but the receipts had not been catalogued by the bookkeeper and are not reflected properly in Open World's books. As such, she was not able to properly dispute the allegations regarding ATM withdrawals, except to say that she is certain that the withdrawals were business-related.

3. Airfare Charges

Open World operated a Children's Defense Fund Freedom School program for four years (2008-2011), a summer enrichment program. In those years, Open World's interns and site coordinators were required to travel to Tennessee for annual training. In 2008 and 2009, Open World had funding from the Louisiana Department of Social Services to cover these expenses. When the DSS funding ended, Open World decided to continue the strong educational partnership with the CDF Freedom School designation. Understanding that resources were limited, Open World used funds from other sources to cover the cost of transporting its interns and site coordinators to the annual training.

4. Insurance Policies

By virtue of the type of programs Open World offered, multiple insurance policies were required. Open World carried general liability insurance at its office, as well as all program sites. In addition, Open World carried Automobile Insurance, Workers' Compensation Insurance, Officers and Directors Insurance, etc. The insurances were not paid solely by this grant. It was paid from the Open World bank account, which contained the commingled funds of all the grants.

5. Vehicle Expenses

The vehicle expenses were paid from the Open World bank account, using funds from other grants in which "Transportation" is an approved grant budget item. Fuel and vehicle repairs fall under the budgeted category of Transportation.

Pursuant to the legislative auditor's recommendation, Open World is in the process of turning over the vehicles. Open World has been unable to find any branch of the local (New Orleans) or parish (Orleans Parish) governments that has a mechanism for accepting donated vehicles. Therefore, Open World recently donated a 2002 Dodge Caravan to Bridge House, a well-respected local non-profit that accepts vehicle donations regardless of condition. The other Open World vans will also be donated to Bridge House.

FINDING IV:

Executive Director's Improper Payments to Immediate Family Members

RESPONSE:

Ms. Cassell sought to hire the most qualified and affordable staff available. Mr. Alan Cassell had extensive experience as a project manager and general contractor, and some experience in food service. He was hired, as stated in the report, to handle maintenance and construction issues at the various sites for a reasonable flat rate of \$400/month. He also was paid to assist with food service during the summers.

Ms. Cassell's daughter, Alana, is an early childhood educator with a four-year degree from Georgia Southern University. She is now a certified teacher in the State of Louisiana and works for St. Charles Parish Schools. At the time of her Open World employment, Alana worked as a

servant-leader intern and during holiday camps as an advisor.

Ms. Cassell was not aware of the prohibition on hiring immediate family. She did not hire her family because of their relation; she hired them because of their qualifications, coupled with their willingness to work for a limited income.

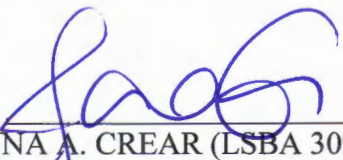
CONCLUSION:

Prior to founding Open World, Ms. Kim Cassell had worked with other non-profits operating programs. She had not been involved with the financial piece of non-profit management. She was primarily in the classrooms, delivering services. **An overall review of the allegations, along with Ms. Cassell's explanations, clearly shows a lack of understanding of the non-profit governance rules as opposed to a willful disobedience thereof.** Going forward, Ms. Cassell does not intend any future involvement in the financial management of non-profits. Before she would ever consider doing so, this investigation has taught her that she should spend a substantial amount of time learning the non-profit governance rules through a combination of seminars and/or formal education.

As a result of this investigation, the following actions have/will occur:

- Open World dissolved in June 2012. Open World has no intention of forming a successor corporation.
- Open World's Board tasked Ms. Cassell with continuing to work with state agencies to try to remedy the issues that this investigation has brought to light. In that capacity, Ms. Cassell donated one of the agency's vans, and is in the process of donating the others. Additionally, Ms. Cassell donated all of Open World's furniture (which included mostly folded tables/chairs and books/educational materials) to non-profit organizations.

RESPECTFULLY SUBMITTED:

By: 
JAUNA A. CREAR (LSBA 30985)
Attorney for Petitioner
THE CREAR LAW FIRM, LLC
4747 EARHART BLVD, SUITE I
NEW ORLEANS, LA 70125
504.365.1545 (office) 504.327.5780 (fax)