

MILLER-McCOY ACADEMY  
FOR MATHEMATICS AND BUSINESS



INVESTIGATIVE AUDIT  
OCTOBER 28, 2015

**LOUISIANA LEGISLATIVE AUDITOR  
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ROGER W. HARRIS, J.D., CCEP

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

October 28, 2015

**MS. KATRINA HORTON,  
FORMER EXECUTIVE DIRECTOR,  
AND MEMBERS OF THE BOARD OF DIRECTORS,  
MILLER-MCCOY ACADEMY FOR  
MATHEMATICS AND BUSINESS**  
New Orleans, Louisiana

We have audited certain transactions of Miller-McCoy Academy for Mathematics and Business. 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 Louisiana Board of Elementary and Secondary Education, the Recovery School District, Orleans Parish District Attorney, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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MMA2015



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## BACKGROUND AND METHODOLOGY

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Miller-McCoy Academy for Mathematics and Business (Miller-McCoy) was incorporated on August 29, 2007, as a Louisiana non-profit corporation. On April 15, 2008, Miller-McCoy entered into an agreement with the Louisiana Board of Elementary and Secondary Education (BESE) to operate Miller-McCoy as a Type 5 charter school in the Louisiana Recovery School District (RSD). Miller-McCoy was publicly-funded by BESE and the Louisiana Department of Education. The school's charter contract was renewed on July 1, 2013.

In December 2014, Miller-McCoy's board of directors voted to close the school at the end of the 2014-2015 academic year. On June 22, 2015, the board voted to dissolve the school and subsequently surrendered its charter effective June 30, 2015. As of September 14, 2015, Miller-McCoy was still listed as an active corporation on the Louisiana Secretary of State's website, although it was not in good standing for failure to file its annual report. Miller-McCoy's last Annual Report was filed with the Secretary of State on October 22, 2013.

In May 2015, Miller-McCoy began selling assets in order to pay some of its debt in anticipation of the dissolution process. During the school's closure process, RSD provided the school with its interpretation of the charter and state law, which stated that assets purchased with state and federal funds cannot be sold.

This audit was initiated after receiving allegations that Miller-McCoy was selling equipment purchased with public funds. The procedures performed during this audit included:

- (1) interviewing former Miller-McCoy employees;
- (2) interviewing other persons as appropriate;
- (3) examining Miller-McCoy's documents and records;
- (4) gathering and examining external parties' documents; and
- (5) reviewing applicable state laws and regulations.





## FINDINGS AND RECOMMENDATIONS

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### Questionable Sale of Assets

**School administrators at the Miller-McCoy Academy for Mathematics and Business (Miller-McCoy) sold 86 pieces of computer equipment for \$15,760 from May 20, 2015 through June 24, 2015, based on receipts obtained from Miller-McCoy. The former school operations manager and school accountant stated the school was closed in June 2015, and the assets were sold to pay Miller-McCoy’s debts. The sale of the school’s assets may be contrary to the school’s charter and the Recovery School District’s (RSD) policy that assets purchased with state and federal funds cannot be sold.**

Miller-McCoy entered into an agreement with the Louisiana Board of Elementary and Secondary Education (BESE) on April 15, 2008, to operate Miller-McCoy as a Type 5 charter school in RSD. The contract was renewed on July 1, 2013, and provides that when the school surrenders its charter all assets purchased with public funds revert to the full ownership of BESE.

In December 2014, Miller-McCoy’s board of directors decided to close the school at the end of the 2014-2015 academic year. The board voted to officially dissolve the school on June 22, 2015. The school’s charter was surrendered effective June 30, 2015. As part of its oversight role, RSD sent letters to Miller-McCoy administrators<sup>A</sup> with guidance for the proper handling of the school’s assets at the school’s closing. One particular letter titled, “Sale or Donation of Charter School Property,” was sent four times and clearly states that any assets purchased with public funds cannot be sold.

According to the former Miller-McCoy business manager and operations manager, they decided to sell computer equipment with an original purchase price of less than \$500. The school’s receipt books show that 86 items (computers, projectors, and phones) were sold to former faculty members and parents of students from May 20, 2015 through June 24, 2015, for a total of \$15,760.

Some of the receipts contained serial numbers that allowed the funds that purchased the computer equipment to be identified. According to the school’s records, 43 of the 86 items were purchased with Title I - Grants to Local Educational Agencies funds. The source of funds that purchased the remaining 43 items could not be identified because there was no serial number recorded on the receipt when the item was sold, or the serial number on the receipt could not be matched to the inventory list. According to the former operations manager and available school records, all of the items sold were initially purchased by the school for under \$500. The

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<sup>A</sup> The first letter dated May 7, 2015, was addressed to the school’s executive director and Miller-McCoy’s board chairman. The same letter was sent again on June 12. Another letter was sent to the school’s executive director, board chairman, and six board members on May 22. The letter was sent again to the school’s executive director, board chairman, school operations manager, and six board members on June 17.

proceeds from the sale of the computer equipment were deposited into the school's operating bank account.

Miller-McCoy's operations manager and school accountant stated that Miller-McCoy was not able to meet its financial obligations to close the school if it did not sell off some of its computer equipment. According to the operations manager, the computers were sold because of her interpretation of an RSD inventory policy, as well as the Louisiana Accounting and Uniform Governmental Handbook, which provides that purchases of items under \$500 are not included on the school's inventory. However, the sale of assets may not comply with RSD's policy prohibiting the sale of assets purchased with state or federal funds.

### **Recommendations**

We recommend that Miller-McCoy identify the funding source of all equipment sold, inform RSD of the equipment sold, and consult with its legal counsel to determine what amounts may be owed to RSD and/or BESE.

## APPENDIX A

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### Management's Response



BLAKE E. OAKES  
110 Veterans Memorial Blvd., Suite 560  
Metairie, Louisiana 70005  
(504) 367-2040

October 20, 2015

Mr. Daryl Purpera  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, La 70804-9397

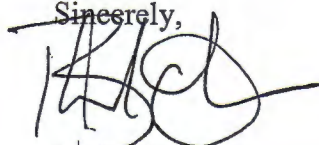
Dear Mr. Purpera,

Thank you for the opportunity to review an advance copy of the Legislative Auditor's report on the Miller-McCoy Academy for Mathematics and Business, Inc. (Miller-McCoy). As you know, Miller-McCoy is currently undergoing a court supervised liquidation and dissolution pursuant to La. R.S. 12:250. As Miller-McCoy's court appointed liquidator, I'm responding on behalf of the organization. I have reviewed the report's findings and we respectfully disagree with the Recovery School District's (RSD) interpretation of State law and policies. It should be noted that prior to selling the computer equipment, Miller-McCoy consulted with the RSD and we believed there was agreement on this point.

We regret any difference in interpretation and will work with the RSD to resolve the issues outlined in your report as soon as possible. We have already provided RSD with a list of the equipment that was sold. I am also in the process of identifying the original funding source for the equipment. The funds generated from the sale of the equipment will ultimately be turned over to the RSD as part of the court's dissolution process. This may eliminate the need to immediately compensate the RSD.

Once again, thank you for the opportunity to respond to your report. If you should have any questions, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be 'BEO', written over a horizontal line.

Blake E. Oakes  
Court Appointed Liquidator  
Miller-McCoy Academy for  
Mathematics and Business, Inc.



## APPENDIX B

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### Recovery School District's Response





# RECOVERY

## School District

Excellence.Equity.Community.

October 19, 2015

Daryl G. Purpera  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Mr. Purpera,

Thank you for the thorough and detailed investigation your team performed on this matter.

Enclosed you will find the letter sent to Miller McCoy Academy leadership on May 7, 2015 outlining the Recovery School Districts expectations and process for the proper disbursement of property purchased by the school operator. As your report states this guidance was verbally and electronically shared with the school operator on several occasions.

Per your recommendations we have contacted the Attorney General's office to begin the process to seek reimbursement for the assets that were improperly sold.

Sincerely,



Patrick Dobard  
Recovery School District Superintendent

# RECOVERY

## School District

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May 7, 2015

Michael Todd, Board President  
Katrina Horton, School Leader  
Miller McCoy Academy for Mathematics and Business  
7301 Dwyer Road  
New Orleans, LA 70126

### **Re: Sale or Donation of Charter School Property**

Mr. Todd and Mrs. Horton,

Prior to the close of the school year, the Recovery School District would like to provide clear guidance to the Charter School Board on the policies restricting the sale and donation of charter school property. Ensuring that all property purchased with public money continues to serve the students of New Orleans is critical and a responsibility of all charter board members.

Any assets purchased by your charter organization with any portion of state or federal funds cannot be sold to any other entity, including other educational organizations. Examples of state and federal funding sources include, but are not limited to, MFP, IDEA, Title I, Title II and Title III,, Race to the Top, 8G, 1003-G, 1003-A, or PCSP funding.

Assets purchased with state or federal funds may be donated to any other Type 5 charter school. This requires a formal board action and vote. Before any assets are donated to a different school program please provide the documentation of the board action in the form of board minutes or a board resolution signed by the board chair to Max Daigh at [Max.Daigh@la.gov](mailto:Max.Daigh@la.gov).

Assets purchased exclusively with funds generated independently from public sources may be sold. However, these sales require pre-approval from the Recovery School District. For any items that your organization would like to sell please provide a description and proof of purchase and funding source to Max Daigh at [Max.Daigh@la.gov](mailto:Max.Daigh@la.gov). Examples of proof of purchase include, but are not limited to, purchase orders that identify funding source, contracts that identify funding source or paid invoices that identify funding source.

Please ensure your employee close out process includes a formal equipment turn in process. This should include, but is not limited to, the assets your organization provided in the Charter Asset Inventory form provided to the Recovery School District.

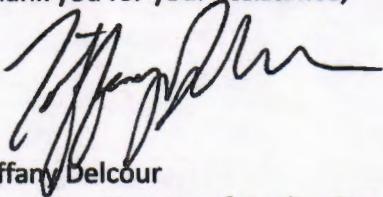
Failure to ensure the proper disposal of property may result in criminal and civil penalties to the fullest extent of the law. The RSD is available to assist with any property questions that may

# RECOVERY School District

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arise. If you have any questions about this guidance please reach out to Max Daigh at [Max.Daigh@la.gov](mailto:Max.Daigh@la.gov).

Thank you for your assistance,



Tiffany Delcour  
Executive Director of Facility Strategy  
Recovery School District

cc: Patrick Dobard, Superintendent, RSD  
Patrick Walsh, Executive Director, Statewide Monitoring  
Joan Hunt, Executive Counsel