

**Audit of**  
**Joseph Littles-Nguzo Saba Charter School**  
**January 13, 2006**

**Report 2006-01**



**MISSION STATEMENT**

**The School Board of Palm Beach County is committed to excellence in education and preparation of all our students with the knowledge, skills, and ethics required for responsible citizenship and productive employment.**

**Arthur C. Johnson, Ph.D.\*  
Superintendent of Schools**

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**Audit of**  
**Joseph Littles-Nguzo Saba Charter School**

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**Audit of  
Joseph Littles-Nguzo Saba Charter School**

**Executive Summary**

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In response to request of Charter Schools and Accounting Departments, we have audited Joseph Littles-Nguzo Saba Charter School for fiscal year ended June 30, 2005. The primary objective of the audit was to determine whether the Charter School complied with provisions of its Charter Agreement. The audit produced the following major conclusions:

**1. School did Not Perform Criminal Background Screening for Teachers as Required**

We confirmed that at least four teachers did not undergo the fingerprinting and criminal background screening as required by the *Charter* and *Florida Statute*. Hiring individuals who have not had required criminal background checks but are in direct contact with students will jeopardize the safety and welfare of students. The School may be violating Federal and State laws, and exposed to associated legal and financial risks.

*Management Response: All teachers currently on staff have submitted to criminal background checks and fingerprinting.*

**2. School Hired Teachers without Social Security Numbers**

The School hired two teachers without establishing identity and employment eligibility as required by Federal law and District policy. These two teachers did not have social security numbers and may not have been eligible for employment in the United States.

*Management Response: All current teachers have secured social security numbers.*

**3. School May Have Violated Federal Tax Law**

Five individuals who have earned more than \$600 a year from the School were neither paid through the payroll system, nor issued *IRS Form 1099*. As a result, there could be federal payroll and social security taxes implications for these individuals, as well as the School.

*Management Response: Current staff are provided the required forms. Subject persons are no longer on staff.*

#### **4. School Hired Non-Certified Instructional Staff**

The District's Department of Charter Schools *End-of-Year Review Report* revealed the School had six non-certified permanent substitute teachers. Employing long-term non-certified substitutes as full-time teachers violates the *Charter* and *Florida Statues*.

*Management Response: We've done what the School District does in similar situations.*

#### **5. Violations of Life/Safety/Health Codes Uncorrected**

A Comprehensive Safety Inspection of the School performed on May 23, 2005, found 11 of 26 previously reported violations remained uncorrected. Four of the 11 uncorrected violations were classified as "serious life-safety" violations. As of July 27, 2005, the School has not yet corrected any of the 11 outstanding violations. Nine of the 11 uncorrected items violate the *Florida Fire Prevention Code*.

The Palm Beach County Health Department's inspection of the School on April 6, 2005, found conditions to be "Unsatisfactory". The inspection identified 15 violations of the *Florida Administrative Code*. A follow-up inspection performed on April 20, 2005, found conditions to be "Satisfactory", but 3 of the 15 violations still existed.

*Management Response: We do not concur.*

*District Auditor's Comment: The response did not specifically indicate the rationale for non-concurrence to the finding.*

#### **6. Questionable Uses of Public Funds**

- The School paid regular wages to one staff while she was out on maternity leave without sufficient leave time.
- The School used public funds to purchase gas for, and to maintain, a vehicle utilized by the Headmaster for both school business and personal use.
- The School was unable to provide eight, or 15%, of the 54 requested invoices; thus, we could not ascertain if the expenditures were an appropriate use of public funds.

Other Findings noted during the review of disbursements:

- Blank checks (non-payroll) are routinely pre-signed by one of the signatories.
- All payroll checks have only one signature, instead of the required two signatures.
- One check was made payable to the signatory.

*Management Response: We concur and have taken corrective actions.*

## **7. Vacancies on the Governing Board**

From February 15, 1999, through May 23, 2000, the School had fewer than five Governing Board Members. On May 24, 2000, a fifth Board member was elected. However, this member is the spouse of another Board member. For the period of July 12, 2004 through July 31, 2005, the School has only had three voting Board members. The *Charter* requires the School to maintain at least five unrelated Governing Board members.

*Management Response: We concur. Three members were voted onto our Board on 10/31/05, bringing the voting total to six.*

## **8. Financial Condition**

**Fund Balance.** The School's financial statements for the year ending June 30, 2004, reported a negative fund balance of \$6,675. For the fiscal year ending June 30, 2005, the School reported a deficit unrestricted net asset balance of \$229,910, and a deficit undesignated fund balance of \$41,166. The *Charter* states that if the School is deemed to have a negative fund balance, the District shall take steps to determine if the School will be allowed to continue in such a manner.

**Budget.** The School's budget for school year 2005-06 projects revenues to be \$1,109,269 and expenditures to be \$1,101,696, leaving a surplus of revenues over expenditures in the amount \$98,573. Our analysis of the budget revealed that the School should consider restating some of the budgeted amounts. If restated, we estimate the budget would continue to reflect a surplus.

*Management Response: We concur. The Headmaster and his wife loaned the school funds to cover this cash flow deficit. Per auditor's suggestion, this loan will be carried on the budget as an obligation.*

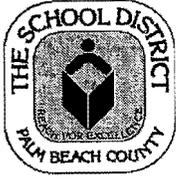
## **9. Some Assets Not Listed on School's Fixed Asset Inventory**

On June 16, 2005, The School District's Capital Assets Field Technician identified 18 assets at the School that were not tagged, and not listed on the School's official *Fixed Asset Inventory Form*. Our review of an updated *Fixed Asset Inventory Form* dated July 11, 2005, revealed that none of the 18 assets had yet been added to the *Inventory Form*. On July 21, 2005, we were provided with the updated *Inventory Form*. A review of this *Form* revealed that nine of the 18 items were appropriately added; but the remaining nine items had neither been added to the *Inventory Form* nor tagged accordingly.

*Management Response: This has been corrected and submitted.*

## **10. School Maintained the Required Insurance Coverages.**

*Management Response: We concur.*



THE SCHOOL DISTRICT OF  
PALM BEACH COUNTY, FLORIDA

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DISTRICT AUDITOR

ARTHUR C. JOHNSON, Ph.D.  
SUPERINTENDENT

## MEMORANDUM

TO: Honorable Chair and Members of the School Board  
Arthur C. Johnson, Ph.D., Superintendent of Schools  
Chair and Members of Audit Committee

FROM: *llc*  
Lung Chiu, CPA, District Auditor

DATE: January 13, 2006

SUBJECT: Audit of Joseph Littles-Nguzo Saba Charter School

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### PURPOSE AND AUTHORITY

In response to request of Charter Schools and Accounting Departments, we have performed the Audit of Joseph Littles-Nguzo Saba Charter School (School) for the period July 1, 2004, through June 30, 2005. The primary objectives of the audit were to:

- (1) Determine if the School performed the required criminal background screening of employees.
- (2) Determine if the School's teachers were properly certified.
- (3) Determine the status of previously reported fire, health, and safety issues.
- (4) Determine whether expenditures were appropriate, properly accounted for and recorded.
- (5) Determine the adequacy of the School's Governing Board.
- (6) Review the School's financial condition.
- (7) Determine if fixed assets are properly tagged and accounted for.
- (8) Determine compliance with provisions of the Charter Agreement.

### SCOPE AND METHODOLOGY

The audit was performed in accordance with *Government Auditing Standards* by Robert Bliss, CIA, and Barbara Reynolds from July 14, through August 4, 2005, and included:

- Reviewing the School's Charter Agreement, facility lease agreement, and other written contracts.
- Reviewing financial documentation including budgets and financial statements.

- Examining the General Ledger, bank statements, and bank reconciliations.
- Reviewing cash receipts and cash disbursements.
- Reviewing payroll reports and personnel records.
- Reviewing the inventory of fixed assets.
- Reviewing fire, safety, and health inspection reports.
- Reviewing certificates of insurance.
- Reviewing applicable Florida Statutes, Department of Education Rules, School Board Policies, and the *Charter School's Procedure Manuals*.
- Interviewing School and District staff.

Pursuant to the *Charter School Charter*, the School is required to submit an independent annual financial audit to the District by September 30 every year. As of August 19, 2005, the independent accountant completed fieldwork and was in the process of finalizing the report. To minimize duplication of our audit work, our audit of Joseph Littles-Nguzo Saba's financial condition and financial transactions focused on areas not expected to be included by the School's independent auditor.

Draft findings were sent to the Department of Charter Schools and the management of Joseph Littles-Nguzo Saba for review and comments. Management response is included in Appendix A. We appreciate the courtesy and cooperation extended to us by District staff during the audit. A draft report was presented to the Audit Committee at its November 18, 2005, meeting. The final draft report was revised subsequent to our receipt of revised management responses on December 7, 2005. The final draft report was presented to the Audit Committee at its January 13, 2006, meeting.

## **BACKGROUND**

The School Board approved the original contract with the Joseph Littles-Nguzo Saba's Charter School on December 9, 1998, for the School to open in January 1999. The term of the contract was for five years with an option to renew. The School Board renewed the contract on June 23, 2004. The term of the renewed contract is for ten years, ending June 30, 2014.

On May 11, 2005, the landlord of the School facilities filed an eviction action because the School had failed to pay rent since December 2004. A judgment was entered on June 9, 2005 and an eviction notice was posted at the School. On June 15, 2005, the School and the landlord entered into a settlement agreement that allowed the School to utilize the premises until August 31, 2005, at which time the lease expired, and the School would surrender the premises. As of August 31, 2005, the landlord indicated the School would continue to lease the facility.

According to the *Charter*, the mission of Joseph Littles-Nguzo Saba Charter School is to enable its students to develop a correct and constructive understanding of the heritage, history, and contributions to human progress made by people of African descent. As of August 24, 2005, the School had 173 students enrolled in grades K-8.

## CONCLUSIONS

The audit produced the following major conclusions:

### **1. School did Not Perform Criminal Background Screening for Teachers as Required by Law**

We confirmed that at least four teachers did not undergo required fingerprinting and criminal background screening. We provided the District's Charter School Department a listing of other full time employees and temporary staff who may require, but not have undergone background screening. The Charter School Department is currently reviewing the list to make a determination.

*Section 28.0 A. of the Charter* states that "Charter school employees, contract employees, and Governing Board members shall be required to comply with the fingerprinting requirements of *Florida Statute 1012.32* relating to criminal background checks." *Florida Statute 1012.32 (2)(a)* states "Instructional and noninstructional personnel who are hired or contracted to fill positions requiring direct contact with students in any district school system ...shall, upon employment or engagement to provide services, undergo background screening ...".

Hiring individuals who have not had required criminal background checks but are in direct contact with students will jeopardize the safety and welfare of students. The School may be violating Federal and State laws, and exposed to associated legal and financial risks.

The School should ensure all persons employed by, or under contract with the School who have direct contact with students, undergo criminal background checks as required by Florida Statutes. If a person is found not to have undergone required background screening, that person should be immediately suspended from working in that capacity, and should remain suspended until required background screening has been completed.

*(Note: A Financial Statement Report On Compliance And On Internal Control Over Financial Reporting dated April 30, 2000., reported that fingerprinting records were not found for 18 of 36 employees and independent contractors reviewed.)*

**Management Response:** *All teachers currently on staff have submitted to criminal background checks and fingerprinting (see Appendix A).*

### **2. School Hired Teachers without Social Security Numbers**

The School hired two teachers without establishing identity and employment eligibility as required by Federal law and District policy. These two teachers did not have social security numbers and may not have been eligible for employment in the United States. One of these two teachers was a full time kindergarten teacher who was not listed on the payroll register, but was paid via bi-weekly invoices. The other teacher who did not have a social security number appeared to be a substitute teacher.

District policy and Federal Law require completion of the *Employment Eligibility Verification (Form I-9)* provided by the U.S. Department of Homeland Security. All employees, citizens and non-citizens, hired after November 6, 1986 are required to complete the *Form I-9* and provide original documents to establish identity and employment eligibility as outline by the form. Employers who hire individuals are required to complete *Form I-9* as required by the *Immigration Reform and Control Act of 1986*.

*(Note: Financial Statement Reports On Compliance And On Internal Control Over Financial Reporting, prepared by Haas, Diaz & Co. in 1999 and 2000, have reported that personnel files did not include W-4 or I-9 forms.)*

**Management Response:** *All current teachers have secured social security numbers (see Appendix A).*

### **3. School May Have Violated Federal Tax Law**

Pursuant to *Section 530 of the Internal Revenue Code*, *IRS Form 1099 Miscellaneous*, must be issued to independent contractors who received \$600 or more payments during the calendar year.

We identified five individuals, including the kindergarten teacher mentioned in Finding #2, who have earned more than \$600 a year from the School, were not paid through the payroll system, nor were issued *IRS Form 1099*. As a result, there could be payroll and social security tax implications for these individuals, as well as the School.

The School should ensure required *1099 Forms* are issued for all independent contractors who earn more than \$600 during the calendar year.

**Management Response:** *Current staff were provided with the required forms. Subject person are no longer on staff (see Appendix A).*

### **4. School Hired Non-Certified Instructional Staff**

The kindergarten teacher mentioned in Findings #2 and #3 was not certified as required by *State Statute 1012*. The District's Department of Charter Schools recently issued an *End-of-Year Review Report* that revealed the School had six non-certified permanent substitute teachers, and that employing long-term non-certified substitutes as full time teachers violates the *Charter* and *Florida Statutes*. *Section 27.0 C.* of the *Charter* states "The teachers employed by or under contract to the Charter School shall be Florida certified, at a minimum, as teachers as required by *Florida Statute 1012*."

The School should ensure all teachers employed by, or under contract with the School, are appropriately certified as required.

*Management Response: This is a play on words. We've done what the School District does in similar situations (see Appendix A).*

**5. Violations of Life/Safety/Health Codes Uncorrected**

The District's Building Department performed a Comprehensive Safety Inspection of the School on March 11, 2005. That inspection cited 26 violations, 25 of which were to be corrected by May 21, 2005. A re-inspection performed on May 23, 2005, found that although 15 of 26 violations were corrected, 11 violations still existed. Four of the 11 uncorrected violations were classified as "serious life-safety" violations, and 7 were classified and "non-serious". As of July 27, 2005, the School has not yet corrected any of the 11 outstanding violations (see Exhibit 1). Nine of the 11 uncorrected items violate the *Florida Fire Prevention Code*.

**Exhibit 1: Uncorrected Life/Safety/Health Violations**

<b>Violation/Description</b>	<b>Serious Citation</b>	<b>Date Violation Originally Cited</b>	<b>Status as of 07/27/05</b>
<b><u>Per FY 04-05 Comprehensive Safety Inspection Report</u></b>			
Adjust Fire Door - Reception Area Stairwell (also noted below)	Yes	05/27/04	Not Corrected
Adjust Fire Door - Top of North Stairwell	Yes	03/11/05	Not Corrected
Provide Current Inspection Tag for Fire Extinguisher	Yes	03/11/05	Not Corrected
Provide Fire Rated Corridors for Classrooms/ or Fire Sprinkler Protection for Facility	Yes	05/27/04	Not Corrected
Provide Emergency Lights	No	05/27/04	Not Corrected
Provide Illuminated Exit Sign	No	05/27/04	Not Corrected
Replace Damaged Carpeting	No	05/27/04	Not Corrected
Replace Water Damaged Ceiling Tiles	No	05/27/04	Not Corrected
Provide Cover Plate on Openings in Fire Rated Door	No	05/27/04	Not Corrected
Secure Loose Fire Extinguisher Bracket	No	03/11/05	Not Corrected
Secure Loose Cover Plate for Light Switch in Elevator Room	No	05/27/04	Not Corrected
<b><u>Per WPB Fire Safety Inspection Report</u></b>			
Adjust Fire Door at Top of Stairwell (also noted above)	Yes	03/11/05	Not Corrected
Exit Sign Battery needs Servicing	No	03/11/05	Not Corrected
<b><u>Per County Health Department Inspection Report</u></b>			
Complete Repairs of Walls, Flooring and/or Ceiling Tiles	Unknown	04/06/05	Unknown
Lighting – Bulbs need replacement	Unknown	04/06/05	Unknown
Air Conditioning Vents need Cleaning	Unknown	04/06/05	Unknown

Sources: School District, Comprehensive Safety Inspection Reports dated March 11, 2005, and May 23, 2005.  
 County Health Department, Inspection Reports dated April 6, 2005, and April 20, 2005.  
 West Palm Beach Fire Rescue, Fire Safety Inspection Report dated March 11, 2005.

Additionally, West Palm Beach Fire Rescue performed an independent inspection of the School on March 11, 2005. The inspection identified 12 violations of State or Local Fire codes. As of July 27, two of the violations have not been corrected (see Exhibit 1).

Also, the Palm Beach County Health Department performed an inspection of the School on April 6, 2005, and found conditions to be “Unsatisfactory”. The inspection identified 15 violations of the *Florida Administrative Code*, including problems with building maintenance and repair, lighting, air conditioning and ventilation, as well as sanitary issues with toilet facilities. A follow-up inspection was performed on April 20, 2005, and found that enough corrections were made to reclassify the overall conditions as “Satisfactory”. However, at least 3 of the 15 violations still existed (see Exhibit 1).

*Section 22.0* of the *Charter* states “the safety of students and employees shall be the prime responsibility of the charter school”, and that “the school must comply with all applicable Federal, State, and Local laws, rules, and codes...” Additionally, *Florida Statute 1002.33 (18)(b)* states, “a charter school shall utilize facilities that comply with the Florida Fire Prevention Code.”

Uncorrected violations may jeopardize the welfare, safety, and health of students and employees. The School’s Governing Board should make sure the School take immediate corrective actions to address all uncorrected life/safety/health violations.

*Management Response: We do not concur. (See Appendix A for full management response).*

*District Auditor’s Comment: The response did not specifically indicate the rationale for non-concurrence to the finding.*

## **6. Questionable Uses of Public Funds**

During our review of disbursements, we found the following items that appeared to be questionable use of public funds.

- The School paid regular fulltime wages to one staff while she was out on maternity leave for four months. This employee had an accrued leave balance of 12.5 days at the time of her maternity leave request. The employee’s wages were funded through the Reading First Grant. Receiving full pay for maternity leave without sufficient accrued leave balance is inconsistent with the School’s *Employee Manual*. The *Manual* indicates that such leave is to be considered an unpaid leave of absence. Also, *School Board Policy 3.80* considers leave for maternity reasons to be an unpaid leave of absence, if the employee does not have sufficient accrued leave balance.
- The School used public funds to purchase gas for, and to maintain, a vehicle utilized by the Headmaster for both school business and personal use. The vehicle is not owned or leased by the School, but is owned by a corporation of which the Headmaster’s spouse is an Officer. *Section 30.0 B.* of the *Charter* states, “No member of the school’s Governing Board will receive financial benefit from the charter school’s operations.”

- During our audit, the School was unable to provide us with eight, or 15%, of the 54 requested invoices and documentation to support the amount of the check. Thus, we could not ascertain if these eight expenditures were an appropriate use of public funds. One of these items appeared to be an automated teller machine cash withdrawal in the amount of \$201.75. The School's *Policies and Procedures Manual* requires that the School should retain records for time periods that comply with legal requirements.

*(Note: A Financial Statement Report On Compliance And On Internal Control Over Financial Reporting dated April 30, 2000, prepared by Haas, Diaz & Co., reported a similar finding.)*

Other Findings noted during the review of disbursements:

- a. Blank checks (non-payroll) are routinely pre-signed by one of the signatories.
- b. All payroll checks have only one signature, instead of two.
- c. One check was made payable to the signatory.
- d. Seven unused checks were not adequately voided (or defaced) to the extent that they could no longer be used. All seven of the checks were pre-signed with one of the two required authorizing signatures.

**Section 21.P.** of the *Charter* requires that "All disbursements of the school contain two authorized signatures. No check may be payable to either of the signatories." Not adhering to this provision of the *Charter*, weakens internal control and increases the risk of inappropriate expenditures.

The School should adhere to its written policies and procedures, as well as provisions of the *Charter*, especially when appropriate use of public funds may be in question.

*Management Response: Regarding payment of regular wages to one staff member while out on maternity leave, she has offered to return monies. The District needs to send a written determination with amount owed.*

*Regarding the Headmaster's use of the School's funds to purchase gas for his personal vehicle; the Board has approved a retro gas allowance on 10/31/05.*

*Regarding blank checks that are routinely pre-signed by one signatory; this procedure has been discontinued per the 10/31/04 Board of Directors meeting.*

*Regarding having only one signature on payroll checks; the School's policy requires only one signature to facilitate timely payment of payroll. VC will sign Headmaster's going forward.*

*Regarding the one check payable to the sole signatory that was signed by that signatory; this was always true regarding the Headmaster's check. VC will sign going forward.*

*(See Appendix A for full management response).*

## **7. Vacancies on the Governing Board**

From February 15, 1999, through May 23, 2000, the School had fewer than five Governing Board Members. On May 24, 2000, a fifth Board member was elected. However, this member is the spouse of another Board member. *Section 30.0 B. 3.* of the *Charter* states that “a prohibitive conflict of interest would exist if a spouse of any Board Member were a member of the Governing Board”.

Additionally, for the period of July 12, 2004 through July 31, 2005, the School has only had three voting Board members. *Section 30. J.* of the *Charter* requires the School to maintain at least five Governing Board members. According to *Section 30.0 A.* of the *Charter*, the School’s Headmaster was to become a non-voting Board member as of July 1, 2004.

Continued vacancies on the Governing Board reduces its ability to discharge the fiduciary responsibilities. Not only that the Board was not able to function at its full potential due to insufficient membership, it has also violated the *Charter* requirement and most importantly, defeats the purpose of the inherent check-and-balance system. The Governing Board should ensure the School maintains a minimum of five Board Members, unrelated to each other, as required.

*Management Response: Three members were voted onto our Board on 10/31/05, bringing the voting total to six (see Appendix A).*

## **8. Financial Condition**

Fund Balance. The School’s financial statements for the year ending June 30, 2004, reported a negative fund balance of \$6,675. For the fiscal year ending June 30, 2005, the School reported a deficit unrestricted net asset balance of \$229,910, and a deficit undesignated fund balance of \$41,166. *Section 21.0 O.* of the *Charter* states that if the School is deemed to have a negative fund balance, the District shall take steps to determine if the School will be allowed to continue in such a manner. It appears that District staff was aware of the fund balance condition.

Budget. The School’s budget for school year 2005-06 projects revenues to be \$1,109,269 and expenditures to be \$1,101,696, leaving a surplus of revenues over expenditures in the amount \$98,573. Our analysis of the budget revealed that the School should consider restating some of the budgeted amounts as follows:

Projected Revenues: The School budget includes \$134,510 in revenue from two Reading Coach grants. These grant monies will not be awarded for school year 2005-06.

Projected Expenditures: Our analysis of the School’s expenditure (cash outflow) budget revealed that it did not include debt obligations. As of July 31, 2005, the School had outstanding debt of \$184,000; and \$154,000 of which is due during the current school

year. Additionally, the School pays approximately \$400 per month in interest expense that was omitted in the budget.

The School should revise the budget due to the above reasons. If restated, we estimate the budget would continue to reflect a surplus.

*Management Response: The Headmaster and his wife loaned the school funds to cover this cash flow deficit. Per auditor's suggestion, will be carried on the budget as an obligation. The ultimate solution is equitable funding per the Statute and Constitution (see Appendix A).*

## **9. Some Assets Not Listed on School's Fixed Asset Inventory**

*Section 20.0 H. of the Charter* states "The Charter School shall maintain an inventory of all equipment, materials, real property, instructional or non-instructional equipment purchased with public funds, and forward a continuously updated list to the District".

The School District's Capital Assets Field Technician performed a fixed asset inventory at the School on June 16, 2005. The Technician identified 18 assets that were not tagged, and not listed on the School's official *Fixed Asset Inventory Form*. Our review of an updated *Fixed Asset Inventory Form* dated July 11, 2005, revealed that none of the 18 assets had yet been added to the *Inventory Form*. We requested the School to update the *Inventory Form* to include all assets identified by the Capital Assets Field Technician.

On July 21, 2005, we were provided with the updated *Inventory Form*. A review of this *Form* revealed that nine of the 18 items were appropriately added; but the remaining nine items had neither been added to the *Inventory Form* nor tagged accordingly.

Additionally, our walk-through of the School facility identified a keyboard valued at \$1,344 and a voice synthesizer valued at \$642, that were not on the *Inventory Form* and were not tagged.

Tagging and recording assets purchased by tax monies provide a basic control to safeguard the assets. This inventory system provides a method to identify, inventory, and locate all physical assets. All property and equipment owned by the School should be tagged, and the *Fixed Asset Inventory Form* should be routinely updated when new assets are acquired.

*(Note: Financial Statement Reports On Compliance And On Internal Control Over Financial Reporting, prepared by Haas, Diaz & Co. in 1999 and 2000, as well a Management Letter issued by Mark Escoffery, P.A., in 2004, have reported that property and equipment were not properly identified.)*

*Management Response: Has been corrected and submitted to the School District (see Appendix A).*

**10. School Maintained the Required Insurance Coverages.**

*Section 26. I. of the Charter* requires the School to maintain the following minimum insurance coverages:

General Liability: \$1,000,000 per occurrence.

Property: no less than 100% replacement value

Automobile: \$1,000,000 per occurrence.

School Leader's Errors and Omissions Liability: \$1,000,000 per occurrence.

Fidelity/Dishonesty/Liability: \$500,000

Worker's Compensation: Minimum Statutory limits.

A review of the School's certificates of insurance revealed that the minimum required insurance coverages were being maintained.

***Management Response:*** *We concur with this conclusion.*

The School District of Palm Beach County  
Non Compliance Issues  
Joseph Littles-Nguzo Saba

Financial Issues	Responses From School Due By December 7, 2005
<b>School may have violated Federal Law</b>	
* IRS 1099 Form was not issued for five (5) staff members who earned more than \$600 a year for FY 04-05	Current staff I (provided) Note the subject persons no longer on staff.
<b>Questionable uses of Public Funds</b>	
* Payment of regular wages to one staff member while she was on maternity leave.	Forbes offered to return; District needs to send written determination w/amount owed.
* Used school's ATM for gas for the personal vehicle of the Headmaster	Establish retro gas allowance. Board approved on 10/31/05.
* School did not provide eight (8), or 15% of the 54 requested invoices	
* Blank Checks (non payroll) are routinely pre-signed by only one signatory not two as required by Charter Agreement	Procedure already discontinued per 10/31/04, Board Of Director's Mtg.
* Payroll checks have only one signature	School policy requires only one signature to facilitate timely payment of payroll. VC w/1 sign Headmaster's going forward.
* One check was payable to the sole signatory and signed by that signatory	This was always true regarding the Headmaster's check; VC will sign going forward.
<b>Financial condition</b>	
* Fund balance reported a negative unrestricted net asset balance of \$229,910, and a deficit undesignated fund balance of \$41,166. As of today, non-audited financials reported a deficit unrestricted net asset balance of \$248,946; an increase of \$19,036	The Headmaster and his wife loaned the school funds to cover this cash-flow deficit. Per auditor's suggestion, will be carried on the budget as an obligation. The ultimate solution is equitable funding per the Statute and Constitution.
<b>Fixed Assets</b>	
* Some Assets are not listed on school's Fixed Asset Inventory	Has been corrected and submitted
<b>Other Compliance</b>	

The School District of Palm Beach County  
Non Compliance Issues  
Joseph Littles-Nguzo Saba

Financial Issues	Responses From School Due By December 7, 2005
* Vacancies on the Governing Board	Three members voted onto our Board on 10/31/05, bringing the voting total to six (6).
* Members of the Governing Board have not been fingerprinted and cleared by FDLE and the FBI *	This can only be true for two of our newest board members, Steve White and Paula Thompson.
* Violations of Life/Safety/Health Codes Uncorrected since May 2005	Absolutely untrue. What is the basis for this allegation?
* Accountant Service contract for Milind Chokshi has not been provided to the District as required by the Charter Agreement	Bobby Jenkins, Jr. was to replace Milind Chokshi as our accountant, his contract was provided. Mr. Chokshi has returned to our service recently. His new contract will be provided.
* Violation of asbestos hazard based on inspection by U.S. E.P.A.	The letter we received from EPA listed the LEA as being responsible for asbestos removal. Our Attorney is seeking clarification.

Academics	Responses From School Due By December 7, 2005
<b>Personnel</b>	
* School did not perform Criminal Background Screenings for four (4) teachers	All Teachers currently on staff have submitted to criminal background checks & fingerprinting.
* School hired teachers without social security numbers	All current Teachers have secured Social Security numbers.
* School hired non-certified instructional staff	
* The school has employed long-term substitutes as full time teachers.	This is a play on words. We've done what the School District does in similar situations.
<b>Student Services</b>	
* School log for withdrawal and transfer information was not in evidence	This was provided with the response for the "End of Year Review". Documentation on file @ SDPBC Charter School Office.*
* FTE records signed by the administrator were not available for inspection at the End of the Year Review	Review". Documentation on file @ SDPBC Charter School Office.*
* Discipline referrals were not in evidence for review and there was no documentation the information was entered into TERMS	
<b>Assessment</b>	Same as above. Also check TERMS for data entry.