

Audit Brief – LEA Audit (Gateway)

Objective and Scope:

As approved by the Utah State Board of Education, the Internal Audit Department (IA) is performing an audit of funding allocations, use of funds, and student membership at a selection of local education agencies (LEAs). Financial, compliance, and performance aspects are subject to consideration during the audit and the period of time covered is dependent on the LEA area being reviewed. As directed by the Audit Committee, reports are being released by LEA to facilitate timely and effective communication and corrective action.

Findings and Observations:

Findings were identified in the following areas and are listed below with recommendations for corrective action. Findings are prioritized by significance.

Finding areas:

- Use of Public Education Funds
- Procurement
- Contracts
- Supporting Documentation
- Purchase cards
- Tax Exempt Number Use
- Official Student Records
- Coding and Documentation of Student Status

Though there were several reasons for the findings above, it appears the most common reasons were incomplete development of policies and procedures or lack of oversight. The impact of the concerns varies, but of note there is an increased risk of fraud, waste and abuse of public education funds and increased risk of liability to the LEA, which could impact operations.

Internal Audit Recommendations:

- Ensure policies, procedures, and internal controls are comprehensive and operating effectively and consistently; as necessary, design, implement, and monitor new policies, procedures, and internal controls
- Train staff on new and existing policies to ensure proper implementation
- Obtain and maintain sufficient documentation
- Reassess contracts to ensure compliance with regulations

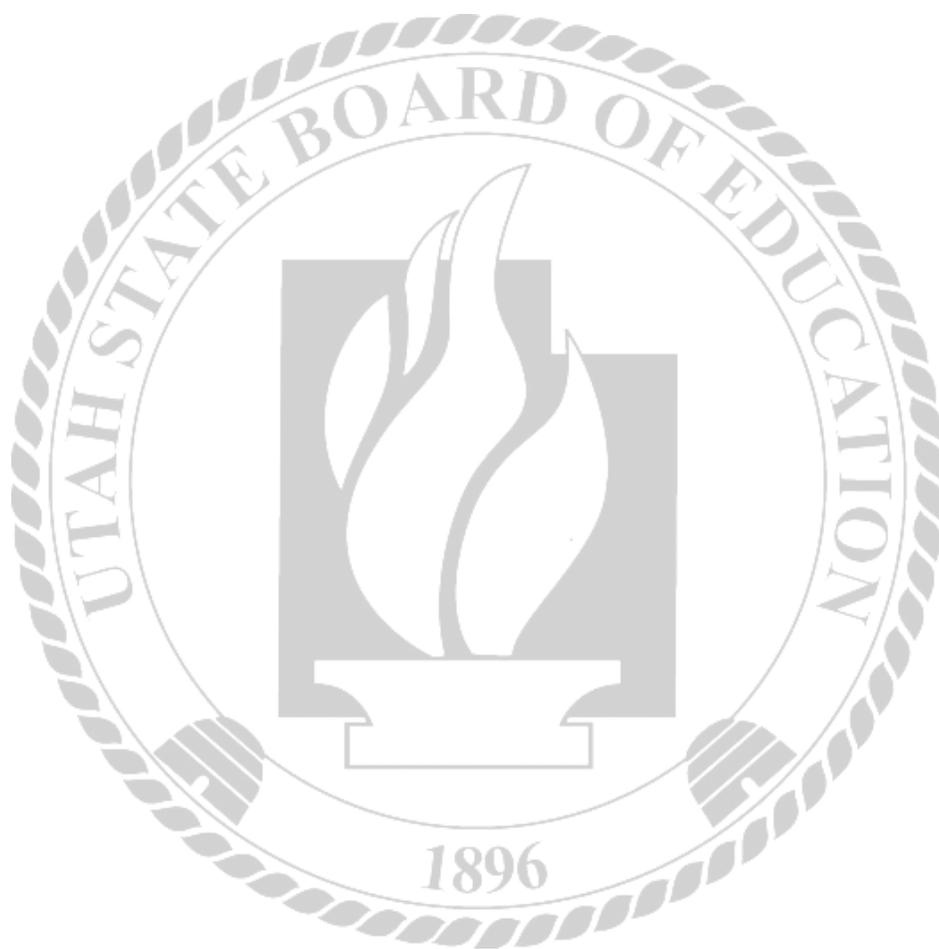
Management Response:

Gateway's Board and Administration will review and continue to improve its internal controls (i.e., policies, procedures) and compliance with regulation.

Utah State Board of Education

16-03.G

GATEWAY PREPARATORY ACADEMY



USBE Internal Audit Department

11/28/2016

Wyett Ihler, President

And

Gateway Preparatory Academy Board Members
Board of Education, Gateway Preparatory Academy
201 East Thoroughbred Way
Enoch, UT 84721

Dear President Ihler and Gateway Preparatory Academy Board Members,

The Utah State Board of Education (Board) Administrative Rule 277-116-3 authorizes the Board's Internal Audit Department (IA) to perform audits as outlined in the audit plan approved by the Board. IA performed an audit of Gateway Preparatory Academy's (LEA) funding allocations, use of funds, student membership count, and instructional hours and school day requirement for the purpose of verifying compliance with applicable code, rule, and policy and procedures. IA obtained relevant documentation from LEA personnel and performed the following procedures.

1. Gained an understanding, through research and inquiry, of applicable state code, administrative rule, and LEA policy
2. Analyzed the LEA's process and results for tracking students and student reporting
3. Analyzed the LEA's process and results for fund collection, disbursement, and documentation
4. Analyzed the LEA's calculation of the 180 school day/990 hours of instruction (180/990) requirement
5. Reviewed and analyzed on a limited basis the LEA's internal control environment

These procedures were limited to membership records for fiscal year (FY) 2016, financial records for FY 2015, and 180/990 records for FY 2017. We have identified the procedures performed above and the findings, observations, and recommendations from those procedures are included in this report. These procedures were more limited than would be necessary to express an audit opinion on compliance or the effectiveness of internal control or any part thereof; accordingly, we do not express such opinions.

Audits are conducted in accordance with current International Standards for the Professional Practice of Internal Auditing. IA is in process of completing the peer review quality assurance requirements by those standards.

By its nature this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of the LEA

during the course of the audit. Management's response to the audit is included on page #12.

This report is intended solely for the information and use of the LEA Board of Education and management of the LEA, and the Utah State Board of Education; it is not intended to be, and should not be, used by anyone other than these specified parties. If you have any questions, please contact me at (801) 538-7639.

Sincerely,

A handwritten signature in black ink that reads "Deborah Davis". The signature is written in a cursive style and is positioned above the typed name and title.

Deborah Davis, CPA
Internal Audit Director, Utah State Board of Education

cc. Members of the Utah State Board of Education
Members of the Utah State Charter School Board
Sydnee Dickson, Ph.D., State Superintendent of Public Instruction, Utah State Board of Education
Jennifer Lambert, Director, Utah State Charter School Board
Andrew Burt, Director, Gateway Preparatory Academy

Contents

I.	Background	1
II.	Objective and Scope.....	1
III.	Findings and Recommendations	1
	<i>a. Use of Public Funds</i>	<i>1</i>
	<i>b. Approval of Purchases.....</i>	<i>3</i>
	<i>c. Contract Process</i>	<i>4</i>
	<i>d. Supporting Documentation</i>	<i>6</i>
	<i>e. State Purchase Card Use.....</i>	<i>7</i>
	<i>f. Use of the School's Tax Exempt Number</i>	<i>8</i>
	<i>g. Official Student Record</i>	<i>9</i>
	<i>h. Coding and Documentation of Student Status</i>	<i>10</i>
IV.	Management Response	11

I. Background

In the March 24, 2016 Utah State Board of Education Audit Committee meeting the committee approved an audit of LEA funding allocations and use of funds as well as student membership counts for a sample of LEAs, including both districts and charters.

II. Objective and Scope

The Internal Audit Department's (IA) objective was to consider potential fraud, waste, and abuse, appropriate handling of public funds, and to verify compliance with applicable state code, administrative rules, and policies and procedures. We reviewed relevant LEA financial records, membership records, school calendars and other documentation as necessary. The scope of our audit generally covered records from fiscal year 2015 to current.

III. Findings and Recommendations

Findings were identified in the areas listed below with recommendations for corrective action. Per auditor judgement, findings are prioritized by significance.

Findings are comprised of five elements. The five elements are:

1. **Criteria:** What should happen?
2. **Condition:** What is happening?
3. **Cause:** Why did it (i.e., the condition) happen?
4. **Effect:** What is the impact, or why should you care?
5. **Recommendation:** Suggestions on how to resolve it (i.e., the cause)?

a. Use of Public Funds

Criteria:

Utah Code Annotated 53A-17a-108(2)(c) Minimum School Program – Appropriation for charter school administrative costs states:

Charter schools are encouraged to identify and use cost-effective methods of performing administrative functions, including contracting for administrative services with the State Charter School Board as provided in Section 53A-1a-501.6.

LEA Finance Policies, Internal Controls states:

The Board and all levels of administration and instructional staff are responsible ... for establishing and maintaining proper internal controls that provide security and accountability. The Board and administration are also responsible for recognizing risks and exposures inherent to these areas of responsibility and for being aware of indications of fraud or related misconduct.

Gateway Preparatory Academy Employee Handbook (effective July 1, 2012) Meals Reimbursement, indicates:

Travelers may receive reimbursement for meals they purchase during approved travel according to the following schedule for travel outside of Cedar City and at least 45 miles from GPA's primary facility:

If traveling between 6 and 10 AM, an allowance of \$8 for breakfast
If traveling between 11 AM and 2 PM, an allowance of \$12 for lunch
If traveling between 4 PM and 8 PM, an allowance of \$25 for dinner

Travelers will be reimbursed for actual expenses, including tax and gratuity, for meals when traveling during the entire time frame noted above up to the dollar limits listed.

Travelers should exercise good judgment and keep meal expenses as low as reasonably possible. Meal reimbursement will not be given for meals that are included in the registration or participation cost of any conference, meeting, or event associated with approved travel nor for meals that are included in the cost of accommodations

Per auditor judgment, some of the transactions noted in the condition below were purchased using a purchasing card (p-card) and as such were not reimbursed to either a traveler or, if a local meal, a Board member or administrator; however, given that the substance of the transaction was similar to the intent of the meal reimbursement policy, we applied the meal reimbursement thresholds to these transactions as well.

Condition: While reviewing 35 non-payroll purchasing card (p-card) transactions, we noted the following transactions that are a questionable use of limited public education funds:

1. One transaction, totaling \$147.80, for the purchase of 4 tickets to ride the High Roller Ferris Wheel in Las Vegas while attending a conference. One individual who participated is an employee of a service contractor of the school.
2. One transaction, totaling \$76.72, for lunch purchased during a charter school conference in Las Vegas at 1:41pm; however, the conference program booklet indicated the conference provided lunch between 12:30pm and 2:30pm.
3. Seven transactions, totaling \$486.49, for meals purchased while traveling, that exceeded the amount outlined in policy for the respective meal (i.e., lunch \$12 or dinner \$25) by an average of \$13 per person.
4. Two transactions, totaling \$73.83, for meals purchased as part of lunch meetings for the school director and a board member to plan board meeting agendas that

exceeded the amount outlined in policy for a lunch meal; one by approximately \$11 per person and one by approximately \$1 per person.

Cause: Inconsistent application of internal controls (i.e., policies and procedures) by LEA Administration and/or management override of internal controls.

Effect: Increased risk of non-compliance with applicable rules and regulations, waste and abuse of public funds, and poor public perception of fiscal accountability.

Recommendation: The LEA Board should ensure policies and procedures are applied consistently. To ensure consistent policies and procedures for all funding sources (i.e., federal, state, and local), the Board should consider Federal Uniform Guidance that applies to federal funds regarding allowable costs (see 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) effective December 26, 2014.

b. Approval of Purchases

Criteria: Utah Administrative Code R277-113-5.C(2)(a) Required LEA Fiscal Policies requires:

The LEA expenditure policy includes the establishment of internal controls and procedures over the initiation, approval and monitoring of expenditures, credit or purchase card transactions, employee reimbursements, travel, and payroll (for school sponsored activities, as well as best practice for general accounting processes):

LEA Finance Policies

Use of School Credit & Debit Cards states:

All charges must be supported by transaction level invoices (point-of-sale receipts) or travel reports to be eligible for payment by Gateway Preparatory Academy. Monthly credit card statements are reconciled by cardholders to point-of-sale receipts and travel reports. They are reviewed and approved monthly by appropriate supervisors.

Requisition states:

Staff purchases must be made after a requisition form has been approved by the school director. All purchase/reimbursement requisitions turned in by Gateway Preparatory Academy staff must undergo the proper approval process and be completed prior to being submitted to the business office. The business manager shall not process requisitions until the proper school policies and procedures are followed. Requisitions for a purchase order or check shall be signed by the Director prior to placing an order or purchasing items.

Condition:

LEA policies, procedures and internal controls related to procurement do not sufficiently address Administration’s purchases that are inconsistent with practice. For example, out of 60 non-payroll transactions reviewed for compliance with procurement regulations we noted:

- Twelve p-card transactions and two reimbursement transactions where the initial purchase was made prior to approval of the Requisition/Check Request form by the school director.
- For one of the reimbursement transactions noted above, the reimbursement check was also processed prior to approval of the Requisition/Check Request form. The check, a mileage reimbursement, was written to the Business Manager on 2/25/2015; however, the approval on the requisition form was on 2/26/2015 and the requisition form did not include a dollar amount.

Cause: Incomplete development of procurement policies and procedures. For example, based on practice it is unclear if the policy on requisitions also applies to p-card transactions. It is also unclear if LEA procurement policies apply to the school director and employee of the third party provider that serves as the Business Manager.

Effect: Budgets may be overspent and/or funds may be spent on unallowable or imprudent items. See finding a. Use of Public Funds above.

Recommendation: The LEA Board should provide adequate direction and oversight to ensure the procurement policies and procedures (i.e., internal controls) adequately cover Director and Business Manager purchases and that they are operating effectively and consistently based on the purchase method.

c. Contract Process

Criteria: LEA Finance Policies

Procurement (Purchasing) states:

Multi-year contracts shall comply with UCA 63G-6a-1204.

For single items, projects, or annual services greater than \$50,000, or when a school officer or the board determines that it will provide the best value for the school, an RFP, RFQ or other solicitation method as determined by the state’s procurement code, a formal bid process will be used in which multiple bids will be received and evaluated using a formal evaluation process.

Record Retention and Disposal states:

Records are maintained for the minimum period according to state law and the guidelines of the Utah State Archives.

2. Permanently: Audit reports, annual corporate reports, charter, board minutes, tax and legal contracts...

Utah Code Annotated 63G-6a-1204 Multiyear Contracts states:

- (1) Except as provided in Subsection (7), a procurement unit may enter into a multi-year contract resulting from an invitation for bids or a request for proposals, if:
 - a. The procurement officer determines...that entering into a multi-year contract is in the best interest of the procurement unit; and
 - b. The invitation for bids or request for proposals:
 - i. States the term of the contract, including all possible renewals of the contract;
 - ii. States the conditions for renewal of the contracts; and
 - iii. Includes the provisions of Subsections (3) – (5) that are applicable to the contract.
- (7) A multiyear contract, including renewal periods, may not exceed a period of five years, unless:
 - a. The procurement officer determines in writing, that:
 - i. A longer period is necessary in order to obtain the procurement item;
 - ii. A longer period is customary for industry standards;
 - iii. A longer period is in the best interest of the procurement unit; and
 - b. The written determination in (7)(a) is included in the file relating to the procurement.

Utah Code Annotated 63G-6a-802 (effective 3/29/2014) Utah Procurement Code – Award of contract without competition, states:

- (1) The division or a procurement unit with independent procurement authority may award a contract for a procurement item without competition if the procurement officer... determines in writing that:
 - a. There is only one source for the procurement item

Utah Administrative Code R277-487-3 Data Privacy and Security Policies (effective July 8, 2015), states:

B.(5) An LEA may contract with a third party provider to collect, maintain, and have access to school enrollment verification data or other student data if:

- (a) the third party provider meets the definition of a school official under 34 CFR 99.31(a)(1)(i)(B);

(6) If an LEA contracts with a third party provider to collect and have access to the LEA's data as described in R277-487-3B(5), the LEA shall notify a student and the student's parent or guardian in writing that the student's data is collected and maintained by the third party provider.

Condition: While reviewing two multi-year contracts with third party service providers, we noted the following:

1. One contract has insufficient documentation (i.e., board minutes and solicitation documentation) to conclude that the LEA complied with a formal solicitation process (i.e., invitation for bids or request for proposals).
2. One contract does not have a specific contract duration, though there are provisions for contract termination.
3. One contract was entered into with a contract duration that exceeds the five-year contract duration allowed in Utah State Code without having a written exception.
4. One contract does not sufficiently address a required provision for data privacy and security. The LEA also does not have a policy for notifying parents when data is shared. See Criteria for R277-487.

Cause: Lack of internal controls regarding contracts and document retention to ensure compliance with regulations.

Effect: Increased risk of waste and abuse of public education funds. Additionally, lack of transparency in the contract solicitation process and lack of specificity and/or prudence of contract terms, which may lead to increased liability to the LEA that may impact operations and students.

Recommendation: The LEA should ensure documentation of procurement processes, along with Board approval, is retained as required.

The LEA Board should reassess their current contracts, particularly those for business and educational services, and amend them as necessary to ensure compliance with their policy, current State Procurement Code, and Utah Administrative Code.

While considering contracts the LEA should also consider the necessity of a service organization internal control report (SOC report) from any service providers that they contract with for business or educational services whose internal controls are likely to be relevant to the LEA's internal control over financial reporting. These reports, if obtained, should also be reviewed as part of the independent financial audit the LEA receives each year as outlined in Auditing Standard 402 Audit Considerations Relating to an Entity Using a Service Organization. Finally, the LEA should ensure that their internal controls are consistent with complimentary user controls outlined in any SOC reports they obtain.

d. Supporting Documentation

Criteria: LEA Finance Policies

Record Keeping states:

To provide an accurate record of all financial transactions (a good audit trail), Gateway Preparatory Academy's books, records, and accounts are maintained in conformity with generally accepted accounting principles as required by state law applicable to charter schools. Further, Gateway Preparatory Academy specifically requires that:

- Receipts and disbursements must be fully and accurately described in the books and records;

Requisition states:

Staff purchases must be made after a requisition form has been approved by the school director. All purchase/reimbursement requisitions turned in by Gateway Preparatory Academy staff must undergo the proper approval process and be completed prior to being submitted to the business office. The business manager shall not process requisitions until the proper school policies and procedures are followed

Condition: While reviewing 84 transactions, we noted:

1. One transaction totaling \$268.32 had no supporting documentation.
2. One transaction totaling \$849.52 had insufficient documentation for us to conclude on the reasonability of the amount.
3. One transaction totaling \$19.25 was part of a larger purchase and was allocated to a specific code; however, the requisition and purchase documentation did not indicate that there was an allocation between funds or how the amounts were determined.
4. One transaction, a journal entry allocation, totaling \$2,500 did not agree to the supporting documentation which indicated a total of \$2,627.50.
5. Five transactions totaling \$2,628.73 had missing or incomplete program codes on purchase requisition documentation.

Cause: Lack of training for staff completing required documentation or oversight of accounting personnel when processing transactions.

Effect: Budgets may be overspent or unallowable items may be purchased if funding sources and restrictions aren't identified and approved by the director prior to purchases being made. Additionally, if there is staff turnover, new personnel may not understand prior transactions or be able to provide appropriate documentation for Board, administration, or audit purposes.

Recommendation: The LEA should consider if current procurement policies and procedures are sufficient to ensure that adequate supporting documentation will be maintained for all transactions. Further the LEA should consider if current procurement forms are efficient and effective and that staff, both program and financial, have been trained on their responsibilities in accurately completing the forms, including identifying the funding source, prior to purchases being made.

e. State Purchase Card Use

Criteria: LEA Finance Policies, Use of School Credit and Debit Cards states:

Gateway Preparatory Academy credit cards and purchase cards shall only be issued with the formal approval of the Board and with proper justification. If credit cards are issued they should be assigned to specific school employees and should be used only for school-related expenditures.

State of Utah Purchasing Card Policies and Procedures Manual states:

10.0 Sales and use tax:

You should NOT pay sales tax. Your card will state tax exempt on it. You may be charged tax when you suspect you should not. We realize there may be an insignificant number of cases where tax will be paid unnecessarily. In these situations, present a tax exemption certificate verifying that the purchase is exempt.

Condition: A review of 35 purchase card (p-card) transactions identified the following:

1. One transaction for \$112 contained a receipt with a teacher's signature, indicating the teacher had use of another individual's p-card.
2. The Business Manager's p-card Application did not contain a Director/Manager signature of approval; instead, the Business Manager signed all three signature lines.
3. Eight (26%) transactions for purchases within the state, totaling \$1,731.60, contained receipts/invoices that indicated taxes were paid when they should not have been.

Cause: Oversight by cardholders when purchases were made and override of controls in signing the p-card application though the LEA Board did approve the Business Manager to have a p-card.

Effect: Increased liability to the LEA and risk of fraud, waste, and abuse of public education funds.

Recommendation: The LEA should ensure cardholders are compliant with p-card policies to ensure appropriate safeguarding and use of limited public education funds.

f. Use of the School's Tax Exempt Number

Criteria:

Utah Tax Commission Publication 35, Sales Tax Information for Public and Private Elementary and Secondary Schools states:

Utah law provides for a sales tax exemption on sales or rentals to a public school. To qualify as a sale made to a public school, the purchase must be made with the public funds.

LEA Finance Policies, Sales Tax states:

Gateway Preparatory Academy is exempt from sales tax as both a governmental entity and as a charitable organization.

- The school administration shall follow vendor policies regarding sales tax exemption;
- As authorized, school employees or volunteers may use the school's non-profit tax exemption registration number (and Tax Commission form) only for legitimate school purchases. Authorization may be revoked when necessary;
- Employees or volunteers may not be reimbursed for sales tax. If sales tax is paid by school employees or volunteers at the point of sale, the school may seek reimbursement of sales tax consistent with applicable rules at its discretion.

Condition: While reviewing 32 transactions where sales tax was charged when the transaction should have been tax exempt, we noted:

- Three transactions for which the school did not request to be reimbursed the tax amounts from the Utah State Tax Commission.
- One transaction where an employee was reimbursed for tax along with being reimbursed for the other items purchased.

Cause: LEA finance policies were not designed with comprehensive internal controls (i.e., procedures) to help ensure the policies will be complied with.

Effect: Increased risk of waste and abuse of public education funds.

Recommendation: The LEA should establish more comprehensive procedures (i.e., internal controls) to ensure the School's sales tax policy is operating effectively, which will maximize the use of public education funds for student outcomes rather than taxes. All staff, school and contracted employees should be trained on the policy and associated procedures.

g. Official Student Record

Criteria: Utah Administrative Code R277-419-4.B(1) Minimum School Days, LEA Records, and Audits (as of July 8, 2105) requires:

A local education agency (LEA) maintain official records that clearly and accurately show for each student several things, including the exit date.

LEA's Student Handbook, Withdrawal/Transferring Students requires:

A parent to notify the school immediately when a student is withdrawing from the school; a withdrawal form will be generated for signature.

Condition: Though the LEA had parental notification the student was exiting the school, a withdrawal form, which is the official record of the school, was not completed for six of the 22 students reviewed.

Cause: LEA policies were not designed with specific procedures (i.e., internal controls) to ensure policy was followed; limited staff may also contribute to these exceptions.

Effect: Membership, and thus funds allocated to the LEA, may be overstated. Discrepancies or inaccuracies in the LEA or state student record tracking systems may also exist, which may impact the educational outcome of students.

Recommendation: The LEA should strengthen their policies and establish procedures to ensure required official records, including those with exit dates, are maintained; the LEA should consider establishing policies and procedures for when withdrawals are in person and not in person. All appropriate staff should be regularly trained on these policies and procedures.

h. Coding and Documentation of Student Status

Criteria: Utah Administrative Code R277-484-3 Deadlines for Data Submission states:

“For the purpose of submission of student level data, each Utah LEA shall participate in UTREx (Utah eTranscript and Record Exchange).” UTREx includes a required student exit code field.

Utah Code Annotated 53A-1a-506.5(6) Charter School Students—Admissions—Transfers states:

Unless provisions have previously been made for enrollment in another school, a charter school releasing a student from enrollment during a school year shall immediately notify the school district of residence, which shall enroll the student in the school district of residence and take additional steps as may be necessary to ensure compliance with laws governing school attendance.”

Utah Code Annotated 53A-11-102(2)(a) Minors Exempt from School Attendance states:

A local school board shall excuse a school-age minor from attendance, if the school-aged minor’s parent files a signed and notarized affidavit with the school-age minor’s school district of residence.

Condition: For 22 students reviewed, we noted:

- Three students exited as home school do not have home school affidavits filed with their respective school districts of residence and it is unclear if the LEA appropriately notified the school district of residence about these students
- One student exited as transferring out of state; however, the withdrawal form does not indicate another state where the student would be enrolled.

- One student exited as a transfer to a charter school; however, they should have been exited as a transfer to another school in the state.

Cause: LEA policies were not comprehensively designed and do not have specific procedures (i.e., internal controls) to ensure notifications to the school district of residence in the event that a student withdraws without a plan for subsequent enrollment elsewhere (i.e., homeschool); limited staff may also contribute to these exceptions.

Effect: The LEA or district of residence may retain responsibility for a student and their education if clear and accurate records of enrollment and exits are not maintained; this may impact graduation reporting. Additionally, in trying to ensure compliance with regulations, resources to track students may be unnecessarily used and membership counts with associated funding could be inaccurate.

Recommendation: The LEA should strengthen their policies and develop and implement procedures to ensure a student's district of residence is notified if the student exits the charter school with no provision for enrollment in another school.

IV. Management Response

See Appendix A.



GATEWAY PREPARATORY ACADEMY

A M O N T E S S O R I C H A R T E R S C H O O L

December 6, 2016

USBE Internal Audit Department,

The Board and Administration of Gateway Preparatory Academy would like to thank your team for its thorough review of our school's operations, practices, and policies. Over the course of four months (from July 6th to November 29th) we had the chance to thoroughly review our own work, and we appreciate your office's opinion on the conditions you observed. This process has allowed us to reflect on our practice as a school and identify what is working well and what can be efficiently improved. This letter will respond to each of the eight areas of recommendations and/or opinions in your report, in the same order that you prioritized them.

Many of the recommendations provided by the Internal Audit department had already been identified and addressed internally, or are in the process of being addressed, including changes in personnel in school administration and business services. The current administration and business staff continue to collaborate in improving internal controls and compliance with school policies.

a. Use of Public Funds: Gateway's Board and its administration will review its internal controls (policies and procedures) to determine if any changes are appropriate. We will continue to improve our efforts of consistently applying such policies.

b. Approval of Purchases: Gateway's Board and its administration will review its current fiscal policies and directly address the purchase process for the director and the business manager. We will ensure that such policy is applied consistently among all Gateway purchases.

c. Contract Process: Gateway's Board and administration regularly review all existing contracts. We have an established calendar for reviewing contracts and policies and will continue to follow this calendar. In addition, we will amend our current contracts to be consistent with our current practice. In our practice we have established proper procedures to address data privacy, contract lengths, and procurement processes. We recognize our current procedures should be documented.

d. Supporting Documentation: We will continue to keep proper documentation for all transactions being made. Per our school policies and requirements, program codes are not required on requisition forms (Condition 3). Our board will review our current policies and practices with regards to programmatic spending and amend or add items as deemed necessary. We will continue to ensure that coding complies with standards and that transactions in the accounting system are coded to programs when required by applicable regulations.

e. State Purchase Card Use: As both a public school and as a "religious or charitable" non-profit, the school complies with all of the applicable sales-tax exemption regulations. We will continue to ensure that P-Cards are used in compliance with regulations applicable to Charter Schools. We will ensure that any upcoming P-Card applications have a second individual's signature in addition to the P-Card owner. Although the business manager was authorized by the board in an open meeting to open a P-Card

program for the school, we recognize a second signature would have provided better documentation than board meeting minutes that are not kept with the application.

f. Use of the School Tax Exempt Number: As stated above, the school will continue to comply with all of the applicable sales tax exemption regulations. It is Gateway's practice to request reimbursement when sales tax is paid. Thank you for helping us find areas where we can improve our performance. Gateway will review policies in this and all areas to ensure that they provide safeguards against potential waste without creating costly burdens that outweigh potential savings. In addition, we will continue to train staff on proper reimbursement processes. As a public school we are subject to certain regulations and as a "charitable or religious organization" we are subject to other regulations that require sales tax be paid at point-of-sale up to a \$1,000 threshold (see publication 35). We will continue to ensure that we follow the appropriate procedures in the most efficient way.

g. Official Student Record: While we do maintain records of withdrawal (as noted in the condition) we will work more diligently to track down and/or create "official" documentation. In many cases we are not able to track down families after they leave our school to complete such official documents. The school registrar has received additional training on this procedure. We are pleased that our policies resulted in documentation for all student withdrawals and transfers, even if parents did not always complete an "official" form.

h. Coding and Documentation of Student Status: The registrar has received additional training related to this procedure and state requirement. Documentation will exist in the future to provide clarity regarding the school's notification to the local district when students who exit to a home school. Of course, it is the District's responsibility to obtain a home school affidavit for each student.

Thank you again for this experience. We were able to identify areas where Gateway can strengthen oversight, policy, and practice to improve our stewardship of public money.

Sincerely,



Wyett Ihler
Chairman of the Board