Members of the Legislative Joint Auditing Committee

This report is issued pursuant to a motion approved by the Legislative Joint Auditing Committee at its June 7, 2019, meeting for Arkansas Legislative Audit (ALA) staff to review the financial records of the Arkansas School for Mathematics, Sciences, and the Arts (ASMSA), including any associated nonprofit organizations. Numerous concerns discussed at a Board of Visitors meeting in May 2019 were conveyed to members of the General Assembly, the President of the University of Arkansas System (UA System), and the media.

Background

Established in 1991, ASMSA is a residential two-year high school for gifted and talented students that focuses on mathematics, computer science, science, humanities, and the arts. ASMSA allows early admission for students meeting certain criteria so that they may enroll as a sophomore. Current student enrollment is approximately 230. ASMSA joined the UA System on January 1, 2004, and is governed by its Board of Trustees, which hires the Director of ASMSA. The current Director, who assumed the position in July 2012, reports to the UA System President.

Because ASMSA is a state-funded educational institution, tuition, books, room, and board are covered by the school’s state funding. The annual student assessment is $850: $350 in residential fees and $250 each semester ($500) for the concurrent credit program. Financial assistance to cover the student assessments is available for students who qualify through federal school meal programs (Free and Reduced Lunch). Costs of personal items, travel, etc., are each student’s responsibility.

ASMSA utilizes two advisory Boards: The Board of Ambassadors focuses on donor relationships and fundraising efforts, while the Board of Visitors assists the Director with matters concerning educational policies and programs, general faculty, and campus-wide concerns, pursuant to policies adopted by the Board of Trustees. These Boards serve only in an advisory capacity and have no authority other than to make recommendations.

The ASMSA Foundation Fund (Foundation Fund) is part of the University of Arkansas Foundation, Inc. (UA Foundation), and supports ASMSA through donations. Prior to 2016, ASMSA held an advisory position on the UA Foundation Board but was granted full membership when the UA Foundation Board changed its bylaws to give each UA System member at least one voting seat.

As a member of the UA System, ASMSA is included in the UA System annual financial audit. The audit report for the fiscal year ended June 30, 2019, was issued on November 19, 2019.
Objectives, Scope, and Methodology

Objectives of this review were to:

- Determine if several complaints and allegations were substantiated.
- Provide information relating to the ASMSA Foundation Fund and its relationship with the UA Foundation.
- Disclose information involving other issues and activities brought to our attention, including transactions with the Director and his spouse.

This review was conducted primarily for the period July 1, 2018, through November 30, 2019. A letter issued by the UA System President; financial information obtained from the UA Foundation; selected ASMSA financial transactions, documents, and personnel files; minutes from two different advisory body meetings; and other relevant records were analyzed. In addition, certain ASMSA personnel were interviewed.

The methodology used in conducting this special review was developed uniquely to address the stated objectives; therefore, this review was more limited in scope than an audit or attestation engagement performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Results of Review

The results of our review of selected transactions and other matters are provided below by topic.

UA System Review of Complaints and Allegations

At its May 13, 2019, meeting, the Board of Visitors recognized several individuals, both attending in person and by video conference, who conveyed complaints and allegations involving ASMSA policies and personnel. At the request of a Board member, these remarks and a recording of the meeting were transmitted to the UA System President and the Chair of the UA System Board of Trustees.

Subsequently, the UA System President requested an independent review of ASMSA and issued a letter to ASMSA parents, faculty, staff, and alumni on September 9, 2019. According to the letter (see attachment), the evaluator reviewed numerous ASMSA documents and policies; interviewed students, staff, and faculty; and concluded that the majority of allegations were unfounded, unsubstantiated, or based on inaccurate or incomplete information. Allegations that the evaluator reviewed included sexual assault of a student and racism, classism, bullying, and mistreatment of students by staff. The evaluator provided applicable UA System staff with feedback on ways to improve the ASMSA experience for both students and their families.

ASMSA Foundation Fund and UA Foundation

ASMSA does not operate its own foundation outside of the UA Foundation, which is a component unit of the UA System. The UA Foundation operates for charitable educational purposes, including the administration and investment of gifts and other amounts received directly or indirectly for the benefit of the UA System.
The UA Foundation is the custodian of donations made on ASMSA’s behalf as well as financial record keeper. According to the ASMSA Finance Director, ASMSA maintains a Foundation Fund to track donations to and related expenditures by the UA Foundation on its behalf. To expend donations, ASMSA submits a request form, approved by the Director, and supporting documentation to the UA Foundation. Then, the UA Foundation either pays the applicable vendor directly or reimburses ASMSA for vendor payments already made.

We obtained a list of payments that the UA Foundation made to or on behalf of ASMSA and traced all payments to ASMSA bank deposits and records without exception. A review of payments made on behalf of ASMSA indicated six payments totaling $5,070 were made to the Director during the period July 1, 2018 through December 5, 2019. According to ASMSA personnel, these payments were reimbursements for entertainment type expenses to promote the school and its mission.

Other Issues/Activities Brought to Our Attention

Education Level of the Director

According to the job description obtained from the UA System, the ASMSA Director position required, at minimum, a “Master’s degree; Doctorate preferred,” and the actual job posting also listed a doctorate as preferred but not required. The current ASMSA Director, hired with an effective date of July 1, 2012, holds a master’s degree but not a doctorate degree. The Director’s job offer and acceptance letter provided a $10,000 salary increase if he obtained a doctorate degree, although doing so was not mandatory.

Payments to Director’s Spouse or Business

We determined that ASMSA did not make payments to the Director’s spouse or to a business (Company) she owns. According to its website, the Company provides advertising, branding, social media, and public relations services. During 2018, ASMSA hired an individual, who works for the Company, to update and redesign ASMSA’s website. This individual was paid $8,000 for this project: $4,800 in 2018, which was reported as contract labor on an Internal Revenue Service Form 1099-MISC, and $3,200 in 2019 when the project was completed.

Staff Terminations

During fiscal year 2018, ASMSA had 129 positions appropriated. Twenty-nine staff members left employment from ASMSA during the period January 1, 2018 through August 31, 2019. Of these staff members, 25 were full-time, and 4 were part-time or temporary help. Our review of personnel files indicated that 23 staff voluntarily resigned and 3 staff retired. The remaining 3 staff were terminated with cause, as determined by ASMSA and documented in the applicable personnel files.

Travel

We noted four instances of travel in which the Director was accompanied by his spouse during the period July 1, 2012 through September 30, 2018: three trips out-of-state and one to another country (Japan). According to the Finance Director, ASMSA did not pay for any travel expenses incurred by the Director’s spouse, and we confirmed this assertion for the two trips taken after June 30, 2015.
May 2019 Commencement

The Director reported to the Board of Visitors, at its meeting on May 13, 2019, that an individual who was a former U.S. Secretary of State, U.S. Senator, and First Lady of the United States and Arkansas had agreed to deliver the keynote speech at ASMSA’s 25th commencement on May 25, 2019. The Director indicated that a speaking fee would not be incurred and that travel costs would be paid through the UA Foundation, which we verified.

ASMSA Vehicles

A list of vehicles owned and insured by ASMSA was provided by the Finance Director. Of these eight vehicles, five were in the general vehicle pool, one van was designated as emergency transportation, one truck was for maintenance use, and a 15-passenger van was for student group activities. These vehicles were non-luxury models.

Electric Vehicle Chargers

Although ASMSA does not own any electric vehicles, there are four electric vehicle charging stations on campus. ASMSA purchased two stations at a cost of $3,656, and the Director donated the other two stations, as he is an electric vehicle user and advocate. Using general operating funds, ASMSA paid $5,885 for installation of the four chargers at two locations on campus. According to the Director, ASMSA administration considered several factors before purchasing the charging stations. These factors included technology exposure for students, lack of charging stations in the downtown Hot Springs area, installation of charging stations at other UA System campuses, and new technology as part of the school’s mission. Also, according to the Director and the Finance Director, none of the stations have usage meters, and electricity charges are not itemized on ASMSA’s electric bills; however, they have not noticed any significant increase in electricity charges.

We trust this review addressed your concerns to the extent possible. Please advise if we can further assist in this matter.

ARKANSAS LEGISLATIVE AUDIT

Kim Williams, CPA, CFE, CFF
Assistant Legislative Auditor

KAW:ms

Attachment

cc: The Honorable Asa Hutchinson, Governor
    Board of Trustees, UA System
    Dr. Donald Bobbitt, President, UA System
    Mr. Corey Alderdice, Director, ASMSA

Audit ID #: IRHE14219
Dear ASMSA Parents, Faculty/Staff and Alumni:

I wanted to provide you with an update following the completion of an independent review of ASMSA that was requested by Director Corey Alderdice and the UA System after a series of complaints and allegations that were made at the May 13 Board of Visitors meeting. The evaluator reviewed numerous documents and policies and interviewed students, faculty and staff members. In summary, the evaluator concluded that the vast majority of the allegations were either unfounded or were based on inaccurate or incomplete information. According to the review, because school officials are prohibited by law from sharing the details of certain situations that involve students, they were limited in providing details which may have quickly put to rest some of the issues that were raised. With these limitations in mind, I feel it is important to provide you with some context about the more concerning allegations that were presented at the May meeting.

You may know that a student alleged that he had been sexually assaulted and the campus had not properly investigated his complaint. After reviewing policies and interviewing relevant persons, the evaluator found that Residence Life officials promptly and thoroughly investigated the complaint and correctly concluded that the student’s allegations did not constitute sexual assault. Although I am unable to provide all of the details, I can say that the incident occurred in a classroom and was witnessed by several individuals, according to the review. The student’s complaint was addressed in accordance with ASMSA’s Title IX policy and with the assistance of the UA System’s Office of General Counsel. Additionally, the evaluator determined that the ASMSA officials involved in the investigation were correct in their assessment that there was no obligation to report the allegation to the Child Abuse Hotline since it was determined that the conduct described by the student did not meet the definition of sexual abuse or other similar conduct under the Child Maltreatment Act.

ASMSA and the UA System take all allegations of sexual assault very seriously. Because of this, we maintain a detailed Title IX policy and require that all employees are trained as mandated reporters.

The reviewer also investigated several allegations made by parents and students of racism, classism, bullying and mistreatment by Residence Life and other staff members. The evaluator concluded that many of these concerns were the result of incorrect assumptions based upon a lack of all of the facts of a particular situation. The evaluator was unable to find any support to substantiate complaints that the Residence Life staff or any other employee either individually, or collectively, mistreated or acted inappropriately towards any student.
ASMSA Parents, Faculty/Staff and Alumni  
September 9, 2019  
Page 2  

While ASMSA students are granted a tremendous amount of latitude and freedom to pursue their academic interests, students are living away from home for the first time, and we have a serious responsibility to ensure their safety and well-being when they are accepted into our program. Although I know the faculty, staff and administration want the very best for our students and work hard every day, there is always room for improvement. The reviewer provided us with feedback on ways to improve the ASMSA experience for our students and their families.

I recently met with the Board of Visitors and other stakeholders and pledged my personal commitment and that of the UA System to do everything we can to support our students, faculty and staff at ASMSA. Director Alderdice and I have met several times since the May meeting, and we will continue to work together to ensure that the stellar academic reputation ASMSA has achieved under his leadership is matched by the daily life experiences afforded to our students while they are away from home.

I want to express my sincere appreciation for those of you who entrust ASMSA and the UA System with your students, and to the alumni who continue to be a source of pride and support. I also want to thank the very talented and capable ASMSA faculty and staff for your efforts on behalf of our students. The work you do every day is so important, and I thank you for your commitment.

Sincerely,

Donald R. Bobbitt  
President  
Charles E. Scharlau Presidential Leadership Chair