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## Special Investigations Unit Report on Cypress Youth Foundation, Incorporated Charter School

July 5, 2000

Members of the Legislative Audit Committee:

An investigation by the State Auditor's Office Special Investigations Unit led to criminal charges against the former Board Chair of Cypress Youth Foundation, Inc. (CYFI). On April 28, 2000, the Marion County Grand Jury indicted Joanna Elizabeth Gasperson for the offenses of theft, misapplication of fiduciary property, and conversion of funds, state jail and third degree felonies, respectively.

As Chairman of the Board of CYFI, Ms. Gasperson had a fiduciary responsibility for funds withheld from employee paychecks as Teacher Retirement System (TRS) member contributions. CYFI failed to remit the funds to TRS, which is a violation of state law. The aggregate loss to the affected employees exceeds \$19,000.

Our investigation resulted from a request by Representative Barry Telford to audit funds provided to CYFI by the Texas Education Agency (TEA). The State Board of Education approved CYFI's application to become an open-enrollment charter school in February 1996. CYFI received \$239,079 from TEA during the 1996-1997 school year. Funding was based upon projected enrollment figures provided by CYFI. The State Board of Education approved two delays in the school's opening. The school failed to open, and CYFI's charter was revoked. No students were served, and the funds were not reimbursed to TEA.

If you have any questions or need additional information, please contact Pamela Munn or John M. Friou, Special Investigations Unit, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA  
State Auditor

cc: The Honorable Barry Telford, Texas House of Representatives  
The Honorable James P. Finstrom, Marion County District Attorney  
Mr. Jim Nelson, Commissioner of Education, Texas Education Agency  
Mr. Charles L. Dunlap, Executive Director, Teacher Retirement System

### What is a Charter School?

The purpose of charter schools is to provide an educational alternative to students enrolled in the public education system. Legislation passed in 1995 allowed for the creation of three types of charter schools: open-enrollment, campus program, and home rule school district. The vast majority of Texas charter schools are open-enrollment, which are operated by institutions of higher education, non-profit organizations, and governmental entities. Open-enrollment charter schools are part of the public school system of the State of Texas. They receive state funds and are subject to state and federal laws and rules governing public schools.

The **Special Investigations Unit** investigates reports of illegal activity involving state agencies and universities. The Unit refers the results of investigations to prosecuting authorities when warranted.

To report suspected illegal activity, call 1-800-TX-AUDIT (892-8348), send a fax to (512) 936-9400, visit the State Auditor's Office website (<http://www.sao.state.tx.us>), or mail information to the State Auditor's Office, Attn: SIU, P. O. Box 12067, Austin, TX 78711.

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