Minutes of Epic One On One Charter School
Board Meeting of 10.21.2020

COMMUNITY STRATEGIES, INC.
EPIC ONE ON ONE CHARTER SCHOOL – BOARD MEETING

50 PENN PLACE, 1900 NW EXPRESSWAY, SUITE 305
OKLAHOMA CITY, OK 73118

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https://www.dropbox.com/sh/nqs2tc8yqgiri4w/AACII1SwXXbS80m8OqNAjXH5s5a?dl=0

AGENDA

Wednesday October 21, 2020 @ 5:30 p.m.

1. Call to order and roll call
   started at 5:38 p.m.

   Present:   Chair Doug Scott   Absent:   Liberty Mitchell
              Betsy Brown
              Mike Cantrell
              Adam Reynolds

2. Pledge of Allegiance and Moment of Silence
   Led by Supt. Banfield

ACTION ITEMS
The following items will be considered for action by the Board of Education on an individual basis and a roll call vote will be conducted on each item separately.

3. Minutes of the July 28, 2020, Special Board meeting.
   Board Member Cantrell moved to approve. Board Member Brown seconded the motion.

   Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved
4. Minutes of the September 8, 2020, Special Board meeting.

Board Member Reynolds moved to approve. Board Member Cantrell seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

5. Information to the Board and Discussion

a. Oklahoma State Auditor & Inspector’s Special Audit Report

Board Attorney, Bill Hickman - This audit began over a year ago at the request of Governor Stitt. Epic has been studying and analyzing it, and the school and Charter Management Company (CMO) have produced a 190+ page response to be presented later in this meeting. There are finding the school disagrees with, items for corrective action, and items for the Board to discuss in executive session as to whether action will be taken.

b. Oklahoma Board of Education’s demand regarding administrative costs

Hickman - The school received the demand letter yesterday requesting the return of $11,235,919. This amount was broken down into three categories. Hickman gave the breakdown amounts and the corresponding categories. Because Epic has not seen the detailed workpapers from the State Auditor and Inspector’s office (SAI), they are unable to verify the validity of these numbers in order to investigate further. Hickman previously requested these workpapers at the exit interview with the SAI, and also submitted an open records request on the same day. The State Board of Education (SBE) graciously gave Epic 60 (sixty) days to respond after they receive the SAI’s workpapers. Ultimately, Epic does not want to speculate, and wants to work in facts, which they can only do once the workpapers are received.

Chair Scott - when should the school receive the workpapers?

Hickman - He has been given no details as to when the open records request will be fulfilled, but he has followed up via email and has done an additional open records request relating to possible correspondence between an individual at the SAI’s office and outside sources.

Brown: Who ultimately makes the decision if Epic gives the SBE their response and they disagree?

Hickman - he believes it would be a discussion with the SBE. He spoke to an assumption in the audit of a person was in an administrative position in 2015, that they stayed in that position for the subsequent years. However, that individual did not stay in the administrative category. So the investigation will be a detailed project looking at each position, by individual, and by year to make sure it is accurate. He believes there are
differences in opinion, and some that will be clear cut, like teacher and principal positions.

c. Statewide Virtual Charter School Board’s issuance of Notice of Intent to Terminate Charter Contract

Hickman - the Statewide Virtual Charter School Board (SVCSB) is the sponsor of Epic One on One, and decided at its last board meeting to terminate its contract with Epic. The SBCSB provided its Notice of Intent to Terminate (Notice), which begins the process for potential termination of the charter contract. Epic has due process rights, wherein Epic gets a hearing similar to an administrative trial, wherein Epic will present witnesses and exhibits. The SVCSB’s 14 page, relatively detailed letter provides allegations as to sections of the contract they believe Epic breached. However, the SVCSB is requiring a short 14 day response from the date the Notice was received as to the factual and legal grounds of the SVCSB’s termination, along with a summary of evidence. This will be a challenging timeline.

Also, there are details in the letter that make it appear that there were private discussions between the SAI’s office and the SVCSB. The SVCSB had detailed invoices to include in their allegation letter that are not referenced in the SAI’s report. He explained how Epic cannot fully respond without knowing the context of how the information was received and how it is being used to reach allegations that support a breach of contract claim. Hickman’s response to this letter on behalf of the Board is an action item to be voted on at this meeting. In case Board members are needed as witnesses at the hearing, Hickman asked the Board to reserve January 20, 2021 on their calendars. Epic is doing everything they can to protect the school.

Brown and Hickman - discussed whether an extension might be granted, and speaking with the SVCSB’s attorney. Epic will need time to adequately respond and present evidence in a fair manner. He has heard there are about 30,000 pages of workpapers that would assist the school in answering these allegations and protect the over 60,000 students that attend Epic.

Chair Scott - assumes that the SVCSB would also want these papers since they seemed to have adopted the SAI’s report in their Notice. Does the SVCSB have an opportunity to amend their Notice once they receive the workpapers?

Hickman - due to the level of detail in the Notice, it appears they have already received some (or all) of the workpapers, but that is just an assumption. It’s possible that once the SVCSB receives all the
workpapers they may amend their Notice.
Chair Scott - wants to ensure the school receives its due process since this Notice is to terminate the school without the school having the critical workpapers that the SVCSB has based its decision on. If the SVCSB has the workpapers, what is the discovery process for the school to obtain the same workpapers to have a fair hearing?
Hickman - discovery at this time can be done via open records requests, and hoping the school receives the papers in a timely fashion. It is not set out exactly in the Administrative Code the exact process for conducting discovery to gather documents and conduct depositions. He is hoping to engage in meaningful discussions with the SVCSB to resolve some of these issues.
Brown - asked if there is a scheduling order to guide the process before the hearing, and how many days are reserved for the hearing?
Hickman - no scheduling order, but would like to speak with the Attorney General’s office to make sure this is a fair process and there are no surprises at the hearing. The hearing is currently set for one (1) day, which he does not believe will be adequate. He also stated that neither Supt. Banfield or Hickman were invited to attend the SVCSB’s meeting, and were not told that this Notice was coming. Therefore, there was no input from the school as to the hearing date or the number of days necessary for a hearing.
Cantrell - how many times Epic has been audited
Hickman - on page 104 of the SAI’s audit: 20 for One on One, and some are from the SBE and some SVCSB.
Cantrell - spoke to how they did their own audits and accepted those, but are changing now that the SAI has done an audit. He feels it’s disingenuous to change their opinion without the workpapers, and so the school can have discussions with these entities as to mistakes that may have been made on each side.
Hickman - stated he would have hoped for meaningful discussions with the SVCSB before receiving a termination notice such as this. Hickman discussed the numerous emails from Epic families worried about being able to attend the school next semester or next year. Since Epic was not involved in any of these discussions, it has left the school in a difficult situation of how to best serve their students, which is the number one priority.
Cantrell - spoke to being a board member for 10 years and has never seen anything like this. He does not approve of being “piled on” by state entities and it seems political.
Brown - though you met with the SVCSB the Thursday prior to the Tuesday board meeting where they voted to terminate, you were given no indication this was coming? Also, she found out 15 minutes before that meeting that it was going to happen, and wondered if the school knew anything.

Hickman - Correct, he met with the SVCSB to discuss the State audit and was given no feedback and no indication the Notice was coming. He assumes that with the detail of the 14 page Notice, and his experience as a lawyer, that the Notice was probably already started at the time of the meeting.

Hickman & Banfield stated they did not know about the meeting any earlier.

Chair Scott - If the SAI has the workpapers, how is Epic expected to summarize and defend itself against the Auditor’s report?

Hickman - Epic will do its best to respond with what they have, which is 190 pages, but additional information in the workpapers could be material and important to present. The response will include a statement that there may be supplements/amendments once the workpapers are received.

Brown - can the school give the families any assurance that they will not have to leave the school this year?

Hickman - the school and Board will do everything they can to protect not only the students, but also the staff that have bills and mortgages to pay in the midst of a pandemic. The school will work to seek a resolution and defend its position.

d. Financial Update

Josh Brock, Epic’s CFO - reminded the Board that Brock is the Encumbrance Clerk and Josh Harp is the Treasurer and voted on annually by the Board.

This report is Harp’s financial statement, which is submitted quarterly to the SVCSB, but provided to the school monthly. Explained amounts for the school’s cash balance, bonus payments, and mid-year adjustment. On this 15 page report by Harp, the last few pages have a year-to-date actual and summary of monthly revenue. He also discussed warrants issued including the bonuses paid out to staff, and warrants paid which only accounts for checks that have cleared.

Reynolds - asked how this cash balance compares to last year?

Brock - lower than last year mostly due to the amount of growth since the end of the previous school year, and the school is funded on the number of students it ended the last school year with. The amount is not “rued
up” until the mid-year adjustment.
Also, the Board approved the school obtaining financing of up to $30 million, and $25 million was financed. It helps the school pay its obligations due to the 30,000 plus increase in students until the mid-year adjustment, and will be paid back in full.
Chair Scott - confirmed that this will make sure the school can meet payroll until the mid-year adjustment, and Brock confirmed
Hickman - confirmed with Brock that the school’s treasurer, Harp, is the one who prepares these reports, and the reports are uploaded to the SVCSB quarterly. Has the school ever received information from SVCSB questioning any of these reports?
Brock confirmed and stated that Harp prepares monthly, but the report is uploaded quarterly. He does not recall having questions from the SVCSB regarding these financials.
Chair Scott - has the SVCSB requested any additional financial records since the SAPs report, and have they called you to ask any questions?
Brock - not outside the normal, and he personally has not been contacted
c. Superintendent Update
Superintendent Bart Banfield
Enrollment: as of today for both schools is 60,772 — One on One has over 36,000 students, about 60% of overall growth. Enrollment has leveled off and he believes these numbers will stay consistent unless there is a rise in Covid or the flu.
SAP’s audit: he wanted to mention the outflow of support from Epic’s student families advocating for the school by sharing their personal testimony, and how heart-warming it has been to receive these messages from the families that choose Epic. He wanted to share this because in the midst of politics, he doesn’t want the “why” for their school to be lost.
Benchmarking: Over 95% of students have completed, which met the school’s goal (in both ELA and Math). The teachers use this to customize a plan for each student. Reminder that over 30,000 students were added this year, and the results from benchmarking are as follows:
  Math: 84% of students are projected below grade level
  ELA: 80% of students are projected below grade level
It has been stated in the media that students leaving Epic and returning to brick and mortar schools are below grade-level, but this is quantifiable evidence that the majority of students coming to Epic are below grade-level. In the midst of everything going on, plus a global pandemic, the school has a lot of work to do in helping these students get to grade-level.
General: 1700 staff members completed a virtual PLC, and are currently working with students. All students have access to an online tutor 24/7, and all students have access to their online curriculum. He spoke about school districts struggling with technology in order to educate their students, but that it has been seamless for Epic due in large part to the CMO. He detailed the high number of technology the school has provided to its students (45,000 Chromebooks, 3,000 iPads, 18,000 MiFi devices, 9,000 calculators, etc.). Parents also have quick access to technology. When a parent places a Learning Fund order for technology, it is shipped out the next day. Epic is continuing to honor its responsibility to educate its over 60,000 students.

Reynolds - asked if this number is accurate as he thought it was a bit higher

Banfield - stated it has been over 61,000, but as students come and go, this has been a steady number for the past month

Cantrell - stated that what the school is here for are the students and not the fighting and off-task duties that the school has had to deal with. He also realizes the responsibility of receiving State money and having it be used appropriately, and thanked Banfield for his work.

Banfield - stated the school’s growth in one year has been over 100% from last year, and it has been difficult. But it has been done in a seamless way, and is a testament to the CMO and the structure it put in place to allow over 30,000 students to migrate to Epic over the course of 3-4 months, and for those students to be engaged with curriculum, technology, and a teacher, all during a global pandemic

Cantrell - stated his granddaughter is in Epic this year, and talked about her having 24/7 tutoring and being on the phone at 10pm with a math tutor

Brown - how many teachers does the school have, and how many were hired this year?

Banfield - over 1,700 teachers this year, and close to 1,000 new teachers this year. This is a unique model, and takes time for the teachers to assimilate to the unique model. He commended the teachers and mentors for assisting the new teachers, and spoke to how hard teachers are working to meet this demand.

Chair Scott - the SAI released report 10-1-20 and SVCSB released its Notice on 10-13-20. Between those two dates, did anyone from the SVCSB contact you with any questions or to discuss the SAI’s report? Did anyone at the school receive an invitation to attend the SVCSB’s meeting?
Banfield - No to both questions.
Chair Scott - Thanked Banfield for attending that meeting to represent the school and provide the Board with comments, and for his leadership and commitment to the school.

Purchasing and General Business

6. Discussion and possible action to approve purchase orders and encumbrances through September 30, 2020.
Brock - includes a final accounting for FY 2020 now that the independent financial audit is completed. Contains all purchase orders for the entire year to make sure all entries are incorporated in case any were missed due to date cut-offs. Does not contain much new business on the accounts payable report, but does contain the 2,100 employees’ payroll on the encumbrance register.
Cantrell asked about an entry for Giant Worldwide, and Brock explained it’s a company that provides leadership training.
Brown asked if the buildout and remodels are done at 50 Penn Place, Brock stated yes and that most of that expense was on the previous year, with only a few expenses for the buildout/remodels on FY 2020

Board Member Cantrell moved to approve. Board Member Reynolds seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

7. Discussion and possible action to approve monthly 2021 Board Meeting dates.
Hickman - while the law only requires meeting quarterly, due to the rapid growth, current size of the school, and feedback from governmental agencies, it is his recommendation as the Board’s attorney to have monthly meetings. The Board can always schedule more meetings, or cancel meetings if needed.
Cantrell believes this is necessary since the school has gotten so big to keep the meetings from being four to five hours long.
Reynolds asked about laws centered around meeting virtually, Hickman stated the law allowing virtual meetings [due to the pandemic] expires December 1st, and explained why it does not seem like the time will be extended.

Board Member Cantrell moved to approve. Board Member Reynolds seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved
8. Discussion and possible action to approve updated Student/Parent Handbook. 
Banfield stated the only change was to add the ICAP requirement to the handbook, 
though it was already on the graduation checklist. He read the policy to the Board 
in full.

Board Member Reynolds moved to approve. Board Member Brown seconded the 
motion.

Brown Approved ● Cantrell Approved ● Reynolds Approved ● Scott Approved

9. Discussion and possible action to approve Form 5500 and accompanying 403(b) 
audit.

Brock - the audit for the Form 5500 was completed this year, and this tax form and 
the audit are both submitted to the IRA. The 403(b) was initiated because Epic 
received guidance that the teachers could not use their bonus earnings when 
deciding on an amount to contribute to retirement, so this was set up to allow the 
staff to add additional monies to their retirement if they chose. Approximately 30 
teachers are enrolled.

Board Member Cantrell moved to approve. Board Member Reynolds seconded the 
motion.

Brown Approved ● Cantrell Approved ● Reynolds Approved ● Scott Approved

10. Discussion and possible action to accept resignation of Board Member Liberty 
Mitchell.

Scott discussed talking to and receiving a resignation letter in an email yesterday 
from Liberty Mitchell, and he read the resignation letter in full to the Board. In 
summation, she is a nurse who has been working long hours due to Covid-19, and 
is also planning to move to Texas for a career opportunity. Liberty was an Epic 
student and truly believes in the school’s mission.

Hickman stated that she was a nurse literally working around the clock for a while 
in our hospitals, and stated that he could not imagine the stress she was under. He 
thanked her for her service to the Board and to the community. He discussed that it 
was unfortunate that there are people in the media who have misconstrued her 
departure from the Board.

Board Member Reynolds moved to accept. Board Member Brown seconded the 
motion.

Brown Approved ● Cantrell Approved ● Reynolds Approved ● Scott Approved
11. Discussion and possible action to approve prospective Board Member Application Form for publication by the Superintendent for the open board member position.

Hickman prepared this Application himself and conflict of interest form based off of his experience working with other schools. He recommends approving this to formalize the process in filling Board seats.

Chair Scott asked if the Board is also approving a process by which to add or select a Board member.

Hickman stated that feedback from the Board as a part of approving this item would be beneficial.

There was further discussion between the Board and Hickman about publishing it publicly, what to do if there is an influx of applications, the process to follow, what processes traditional brick and mortar schools follow, being able to make quorum with the current number of Board members, and amending the Bylaws to include year terms for Board members (Chair Scott and Cantrell have been on the Board since inception) and including a process for choosing Board members.

Hickman shared his experience with other charter schools with this process:
- The superintendent takes the lead, and brings back recommendation(s) to the Board. Then the person(s) recommended comes to the meeting to be introduced to the Board and to be voted on.
- There is an option to invite multiple people to a meeting to be questioned in the public forum, or the Board can take the Superintendent's recommendation.

Chair Scott stated that once they approve this application, the Board would like Superintendent Banfield to publish it. Then depending on the amount of interest, the Board can decide on a process to choose a board member.

Board Member Cantrell moved to approve. Board Member Reynolds seconded the motion.

Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

12. Discussion and possible action to approve Commercial Lease Agreement with Summerbrook Leasing for facility in Antlers, Oklahoma.

Banfield: this is a small meeting space with three classrooms for teachers and students to meet, whether for benchmark testing, instruction, small group instruction, etc. Similar to spaces the school has in other rural areas. Discussed and confirmed that it is a month-to-month lease.

Board Member Cantrell moved to approve. Board Member Reynolds seconded the motion.
Discussion and possible action to direct legal counsel to request hearing before the Statewide Virtual Charter School Board (SVCSB) in response to Notice of Intent to Terminate Charter Contract.

Hickman stated they have 14 days from the date received to respond to the Notice, and direct him to respond and proceed in preparation on hearing for the Notice. Cantrell stated he does not feel like this is enough time to respond, that they have not seen the documents they are basing their decision on and with no discussion for such a violent recommendation. Responding on time is in the rules, so he does want to make sure he responds within 14 days with the caveat that they be able to supplement their initial response.

Chair Scott stated that the SVCSB at the meeting stated this Notice was starting the process, and the hearing would be the only time they will be able to present their information. He believes they should approve this item.

Board Member Reynolds moved to approve. Board Member Brown seconded the motion.

Presentation

14. Presentation of Response to the Oklahoma State Auditor & Inspector’s Special Audit Report by Elizabeth Scott and Lauren Kiefner of Crowe & Dunlevy and Lee Pugh of Lee Pugh & Associates on behalf of Epic Youth Services.

Elizabeth “Libby” Scott presented based on the attached PowerPoint presentation. This presentation is to go over the major findings of the forensic audit one by one to objectively share the facts. Some findings are correct, some are incorrect, with no politicizing.

She gave a brief overview of the audit, including the assertion that the school has been uncooperative, which is inaccurate. There were 51 audits of the school, the school gave the auditors their own room to work in, Brock and several other employees were interviewed multiple times, and the school has complied with each open records request except for one because it was too broad with a response being over 35,000 pages with redactions needed. The school is currently working with them on responding to this one. She also stated there has been no finding of any criminal or fraud in the report.

Libby then went over a PowerPoint presentation of findings of the SAI’s audit wherein the school detailed why it was either accurate or inaccurate. Time was given for questions from and discussions with the Board members throughout the presentation.
This presentation and discussion lasted approximately 1 1/2 hours.

15. EXECUTIVE SESSION:

Motion to enter into Executive Session as provided for in 25 O.S. 307(4) to have confidential communications between a public body and its attorney concerning a pending investigation, claim, or action, concerning the (1) State Audit & Inspector’s Investigative Audit Report, the (2) Oklahoma Board of Education demand concerning administrative costs, and the (3) Statewide Virtual Charter School Board issuance of Notice of Intent to Terminate Charter Contract, when advised by legal counsel that disclosure of any additional information could seriously impair the ability to process or conduct the pending investigation and/or claim in the public interest - 25 O.S. §§ 307 (B) (4) and (7)

a. (Action) Vote to convene into Executive Session.

   Board Member Cantrell moved to convene into Executive Session at 8:36 pm. Board Member Brown seconded the motion.

   Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

b. (Action) Vote to return to Open Session and Reading of the Executive Session Minute.

   Board Member Cantrell moved to return to Open Session at 10:07 pm. Board Member Reynolds seconded the motion.

   Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

   No action taken. No votes cast.

c. (Action) Discussion and possible action(s) on items considered in Executive Session.

   Board Member Reynolds moved to adopt Resolution No. 2020-01 for corrective action. Board Member Cantrell seconded the motion.

   Before the final vote, Chair Scott read the entire attached Resolution No. 2020-01 to the Board and members of the public.

   Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved

   Board Member Brown moved to call a special meeting for November 18, 2020, time to be determined, to continue the discussion of corrective action, other issues brought up during this meeting, and to put a finer point on the Resolution. Board Member Reynolds seconded the motion.

   Brown Approved • Cantrell Approved • Reynolds Approved • Scott Approved
16. Public Comments
All meetings of the Board of Education shall be open to the public, and any regular meeting shall include an opportunity for the public to address the Board. Presentations under “Public Comments” are limited to three (3) minutes. Where several people wish to address the same subject, a spokesperson must be selected. The Board Chairman may interrupt and terminate any presentation that is not in accordance with any of these criteria. Board members may not respond to speakers’ comments. Matters that are subject to any legal action or investigation are not proper topics of public comment and are not authorized.
None.

17. Adjournment

Adjourned at 10:12p.m. Board Member Cantrell moved to approve to adjourn the meeting. Board Member Brown seconded the motion.
Brown Approved  •  Cantrell Approved  •  Reynolds Approved  •  Scott Approved

___________________________
Board Chairman Doug Scott

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Secretary Betsy Brown
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RESPONSE OF EPIC CHARTER SCHOOLS
TO OKLAHOMA STATE AUDITOR & INSPECTOR'S AUDIT

EPIC ONE-ON-ONE

OVERVIEW OF AUDIT REPORT

✓ Community Strategies and One-on-One complied with requests from the SAI - the only subpoena item the School has not delivered is a request for roughly 37 million emails. Costs have been quoted to the SAI and the parties are discussing how to proceed.

✓ There were no findings of criminal misconduct
OVERVIEW OF AUDIT REPORT

✓ There were no auditing standards identified. Instead, the report explained the SAI’s understanding of the rules and regulations applicable to charter schools, identified best practices for compliance with its interpretation of charter school law, and then made findings based upon noncompliance with the SAI’s best practice recommendations.

✓ There were 19 findings directed at One-on-One:
  • 2 interpreted One-on-One’s Operating Agreement differently than EPIC’s interpretation
  • 6 interpreted rules or laws in a way that conflicts with the supervising agency’s guidance or decision on the matter
  • 1 was contrary to the relevant supervising agency’s clear directives
  • 1 was factually incorrect
  • 2 involved the accounting practices of Epic Youth Services, LLC

EPIC ONE-ON-ONE
OCAS FINDINGS
OCAS FINDINGS

SAI Finding No. 1

- One-on-One inaccurately reclassified administrative costs totaling $2,962,975. As a result, an administrative cost penalty of $2,657,207 was eliminated.

EPIC's Response

- The SAI is incorrect.
- Coding decisions were made according to the OCAS manual. EPIC believes they were correct. Hence why they were approved.
- There was no "elimination" of an administrative cost penalty — the itemized classification of fees in 2016 was done within the appropriate time frame for coding revisions and with the SDE's input. Ultimately, the SDE accepted EPIC's revised codes and the administrative cost threshold was not exceeded to incur a penalty in the first place.
- The SDE has demanded repayment of $2,657,207.

Backup documentation: p. 20-23 of EPIC response

OCAS FINDINGS

SAI Finding No. 2

- SDE improperly accepted One-on-One's reclassified administrative costs totaling over $2.9 million.

EPIC's Response

- The SAI is incorrect.
- Coding decisions were made according to the OCAS manual. EPIC believes they were correct. Which is why they were approved.
- The SDE is responsible for administering OCAS. The SDE has always carefully monitored EPIC. EPIC believes the SDE advised it in compliance with reporting requirements, which has eliminated in SDE recertification of the school each year. While the SAI may have an opinion on how costs should be coded, the SDE is the expert and has final say and approval, which has always been given.

Backup documentation: p. 20-23, EPIC response
OCAS FINDINGS

SAI Finding No. 3
- One-on-One and Blended reported EYS management fees to SDE based upon estimates, instead of the actual cost of services provided. This reporting method resulted in the questionable classification of FY 2017 through FY 2019 administrative costs totaling $16,570,782.80 for One-on-One, and FY 2018 through FY 2019 costs totaling $6,652,916.85 for Blended.

EPIC’s Response
- The SAI is incorrect.
- The total management fee reported has never been based on estimates; it has always been the actual amount paid to EYS by the School.
- Between 2017 and 2019, there was no requirement to code and report itemized components of a management fee. Instead, One-on-One voluntarily itemized the EYS management fee pursuant to the SDE's request. In consultation with the SDE, the schools used allocations to itemize and report the fee. The SDE approved these allocated itemizations and recertified the schools each year.

EPIC CHARTER SCHOOLS’ RESPONSE TO SAI

SAI Finding No. 4
- Although the FY 2020 invoices obtained by One-on-One and Blended from EYS did itemize the goods and services provided as required by 70 O.S. § 5-200 (HB 1395), they did not provide an accurate accounting of actual costs.

EPIC’s Response
- The SAI is incorrect.
- Actual costs were reported. FY 2020, based upon 70 O.S. § 5-200, the School coded the amount paid to EYS using the new management organization codes added to the OCAS system and invoices provided by EYS. Coding selections were and will continue to be made in consultation with the SDE and no coding issues have been raised by the SDE.
- The SAI is really asking for back up documentation of how EYS spent the money. But there is no legal requirement for Districts to obtain such information.

Backup documentation: p. 34, EPIC Response
SAI Finding No. 5

- One-on-One failed to properly classify and report $8,906,240.09 in administrative payroll costs. Factoring in an already reported FY 2019 administrative cost penalty of $530,527.20, the remaining administrative cost penalty would amount to $8,375,712.89.

EPIC’s Response

- The SAI is incorrect.
- EPIC properly classified and reported payroll costs in OCCS. Classifications were based upon the actual duties performed by employees.
- The SAI believes employees with the words “Manager”, “Director” or “Supervisor” in their job title should necessarily be reported as “managers” in OCCS regardless of what they do. Under OCCS definitions, however, a “manager” must direct others. For example, an EPIC Director of Teacher Development is the equivalent of an instructional coach and manages no one. But by OCCS logic, they should be coded under the cost because they have “Director” in their title.
- The SDE has demanded repayment of $8,375,712.89 for FY 2015 through FY 2019.
PAYROLL FINDINGS

SAI Finding No. 6
• One-on-One and Blended submitted inaccurate information to the State Department of Education as part of their annual accreditation reporting.

EPIC’s Response
• The SAI is incorrect.
  • Accreditation applications endured the scrutiny and review of the SDE. The SDE did not have an issue with the 60/40 percentage split as submitted in the accreditation process.
  • The sharing of personnel expenses between EPIC’s schools creates savings to each that result in more funds being directed towards instruction rather than duplicating overhead costs, and EPIC has never been advised the School Personnel Report needs to be cross referenced with the employee’s payroll coding.

PAYROLL FINDINGS

SAI Finding No. 7
• One-on-One did not report the total compensation for some employees enrolled in the Teachers’ Retirement System of Oklahoma.

EPIC’s Response
• The SAI is incorrect.
  • The information supplied by Epic was omitted from the State Auditor and Inspector’s finding. This finding is directly contrary to the specific directives from the Teacher Retirement System.

Backup Documentation: p. 29-38, EPIC Response
EPIC ONE-ON-ONE
STUDENT LEARNING FUND FINDINGS

SAI Finding No. 11

• One-on-One and Blended paid EYS approximately $79.3 million for deposit in the Student Learning Fund with an agreement or contract defining the student count to be used in calculating the actual amount due. The amount paid to EYS were unsubstantiated and unverified by the Community Strategies Board.

EPIC's Response

• The contracts provide that One-on-One will pay EYS for the Learning Fund "on a per student basis."
• To determine the number of students enrolled within the first quarter, the School put an EPA/Grade Summary report on the 4th school day of each school year that certifies the "Entire Period Student Count." That student count is then used to calculate the School's Total Learning Fund payments for that year.
• EYS engaged Grant Thornton, a national accounting firm, to determine if it had been paid the correct amount for the Learning Fund. Grant Thornton compared the actual Learning Fund payments to the correct amount and found that since FY 14 EYS has been understated by more than $12.6 million. SAI represented that it would include this expert analysis in its report, yet did not do so.

(Backup Documentation: p. 113-130, EIC Response)
STUDENT LEARNING FUND FINDINGS

SAI Finding No. 12
- The Student Learning Fund payments made by One-on-One and Blended are deposited into the same bank account resulting in commingled state funds.

EPIC's Response
- The finding relates to the accounting practices of Epic Youth Services, LLC and presupposes that Student Learning Fund payments to EYS remain "state funds" after being paid to a private company. This finding relates to the bank accounts of a private company that is not a school bank account and is the subject of ongoing litigation.
- The School's independent auditor confirmed that funds paid to EYS become private and are not part of the School’s audit.
- The SAI approved this each year by accepting EBS Audited Financial Statements.

EPIC CHARTER SCHOOLS' RESPONSE TO SAI

SAI Finding No. 13
- The financial capacity of Community Strategies was pledged to be "used in order to obtain $500,000 in capital for year 1 funding" for Epic-California.

EPIC's Response
- The SAI is incorrect.
- The word "pledged" is a creation of the SAI and was not used in any documentation provided to SAI. The loan obtained to start the California school was not secured by collateral and was a non-recourse loan in the form of a promissory note. No public assets were EVER pledged to secure the loan and no guarantees were made by the Oklahoma public school to repay the loan. The loan has since been fully repaid to the lender, and the lender was not the Oklahoma public school.
EPIC ONE-ON-ONE
COMMUNITY STRATEGIES-CA
FINDINGS

CS-CA FINDINGS

SAI Finding No. 14 & 15

- Between FY 2017 and FY 2019, One-on-One employees provided administrative services to Epic-California for almost three years without receiving payment. One-on-One did not monitor accounts receivable due from Community Strategies-CA, resulting in the failure to collect $139,902.47 in a timely manner.
- One-on-One’s FY 2020 monthly invoices to CS-CA, for services provided to Epic-California, totaling $69,738.30, were not paid until SAI subpoenaed evidence of payment.

EPIC’s Response

- The SAI is correct.
- The contract between the entities did not stipulate a payment term or date, so while EPIC had invoiced and billed Epic-California, it was overlooked and had not yet been paid. Once the SAI identified this item, One-on-One immediately took corrective action and collected the outstanding amount. Accordingly, this has been repaid in full.
CS-CA FINDINGS

SAI Finding No. 16 & 17

- One-on-One employees provided administrative services to Panola Public Schools for 20 months without receiving payment. One-on-One did not monitor accounts receivables from CS-CA resulting in the failure to collect $24,712.17 for the services provided between FY 2016 and FY 2019.
- One-on-One’s FY 2020 monthly invoices to CS-CA, for services provided to Panola totaling $8,306.49, were not paid until SAI subpoenaed evidence of payment.

EPIC’s Response

- The SAI is correct.
- The contract between the entities did not stipulate a payment term or date, so while Epic had invoiced and billed Panola FS, it was overlooked and had not yet been paid. After the SAI identified this item, One-on-One immediately took corrective action and collected the outstanding amount. Accordingly, this has been repaid in full.

CS-CA FINDINGS

SAI Finding No. 18 & 19

- One-on-One provided two invoices to CS-CA, for services performed for Pawhuska Public Schools totaling $11,111.11. These invoices were not paid in a timely manner.
- One-on-One invoices for services provided to CS-CA, failed to account for the full cost of staff member salaries and benefits and the actual amount of time dedicated by each employee.

EPIC’s Response

- The SAI is incorrect.
- Invoice was paid in a timely manner. The contract between the parties did not stipulate a payment term or date, and the bill was paid in approximately the same fiscal year that services were rendered.
- The SAI is incorrect.
- The cost allocation methodology used is based on student counts, not time inputs. No accounting rules exist requiring a time-based cost allocation, which also would not be in compliance with the cost allocation methodology prescribed in the service contracts.
OTHER FINDINGS

SAI Finding No. 20

- The transfer of $203,000 from the Student Learning Fund to Epic-California, was in violation of the One-on-One and Blended Charter School Operating Agreements and state law.

EPIC's Response

- The SAI is incorrect. This was not a violation of the Operating Agreements.
- Again, this transfer was made from a private account and is the subject of ongoing litigation. The School's independent auditor confirmed that funds paid to EPIC became private and are not part of the School's audit. The SAI approved this each year by accepting EPIC's audited financial statements.
- Also, EPIC understands this transfer was repaid prior to SAI inquiring about it.
- The SDE has demanded repayment of $203,000
OTHER FINDINGS

SAI Finding No. 21

- EYS’ Management Fee payments were calculated on total State Aid received by the SVCSB and Rose State College instead of the actual funds received by One-on-One and Blended. This calculation resulted in EYS receiving additional $686,116.04 in management fees between FY 2016 and FY 2020.

EPIC’s Response

- The SAI is incorrect.
- EYS was not overpaid. The management fee paid to EYS is and has always been “equal to 10% of collected revenues.” Under the Charter Operating Agreements, “Revenues” includes “all funds received by or on behalf of the Charter School.” This, then, includes the total amounts received by the SVCSB on behalf of the School.
- The School’s independent financial auditor, approved by SAI, confirmed these payments were correct. The parties to the contract are in complete agreement on calculation of the management fee.

Backup documentation: p. 132-139, EPIC Response
WHEREAS, Community Strategies, Inc., an Oklahoma not for profit, is the board of education of Epic One-on-One Charter School (the “School”);

WHEREAS, Community Strategies, Inc. is the board of education of Epic Blended Charter School (“Epic Blended”);

WHEREAS, Epic One-on-One has entered into Operating Agreement (the “Operating Agreement”) with Epic Youth Services (“EYS”);

WHEREAS, the Oklahoma State Auditor and Inspector (“SAI”) has conducted a special, investigatory audit (the “Audit”) of Epic One-on-One and Epic Blended (collectively, “Epic Charter Schools”);

WHEREAS, Community Strategies, Inc. is the board of education (the “Board”) of the School;

WHEREAS, the Board provides oversight of the School;

WHEREAS, on October 12, 2020, the Oklahoma Board of Education (“BOE”) voted to demand that the School respond within sixty (60) days of receipt of the SAI’s work papers to administrative costs in the amount of approximately eleven million dollars (the “Administrative Cost Demand”);

WHEREAS, on October 13, 2020, the Statewide Virtual Charter School Board (“SVCSB”), as the charter sponsor of the School, voted to issue a Notice of Intent to Terminate Charter Contract (the “Notice”);

NOW, THEREFORE, Board of the School adopts the following corrective actions:

BE IT RESOLVED that the Board directs the School and EYS to amend the Intercompany Agreement between Epic One-on-One and Epic Blended for Board approval to specify the authority for the payroll and cost allocations between the schools, the basis for the calculation of the payroll and cost allocations, and the requirement for Board approval each time there is a payment between the schools;

BE IT RESOLVED that the Board directs the School and EYS to amend the Operating Agreement for Board approval to more specifically set forth how the learning fund payments are calculated;

BE IT RESOLVED that the Board directs the School and EYS to further amend the Operating Agreement to more specifically describe the basis upon which the management fee is calculated;

COMMUNITY STRATEGIES, INC.
EPIC ONE-ON-ONE
RESOLUTION No. 2020-01

BE IT RESOLVED that the Board directs the School’s internal auditor to ensure that invoices are timely issued for services rendered by School personnel for Community Strategies – CA ("CS-CA") and that invoices for services rendered by School personnel for CS – CA are timely paid;

BE IT RESOLVED that the Board directs that the School’s internal auditor ensure that invoices are timely issued for services rendered by School personnel to any other school local education agency and are timely paid;

BE IT RESOLVED that the Board directs the School and EYS that Board approval is required for any financial transfers between the schools and that such transfers should be reflected on the Treasurer’s report which will be presented for approval at each board meeting;

BE IT RESOLVED that the Board directs the School and EYS that Board approval is required at each Board meeting of the Treasurer’s report and the encumbrance register; and, that all financial transactions are to be approved by the Board and that any errors that may arise are immediately reported to the board at the following board meeting;

BE IT RESOLVED that the Board directs the School to hire a person that reports to the Superintendent and is responsible for the School’s finances to serve as Encumbrance Clerk among other duties;

BE IT RESOLVED that the Board directs that either the School’s Superintendent or Board Chair sign all School contracts on behalf of the School; and

BE IT RESOLVED that the Board acknowledges that further action may be required.

Approved by a majority vote of the Board this 21st day of October 2020.

BOARD PRESIDENT:

BOARD SECRETARY: