

**BEFORE THE STATEWIDE VIRTUAL CHARTER SCHOOL BOARD
STATE OF OKLAHOMA**

In re

TERMINATION OF CHARTER CONTRACT WITH
COMMUNITY STRATEGIES, INC., GOVERNING
BOARD FOR EPIC ONE-ON-ONE CHARTER SCHOOL

NOTICE OF SETTLEMENT AGREEMENT

This Notice is to inform the Statewide Virtual Charter School Board that the parties have reached a settlement agreement in the above referenced case. The parties request the SVCSB accept the attached Settlement Agreement and cancel the hearing set for May 12-13, 2021. Additionally, the parties request an order that all pending motions and subpoenas are rendered moot by the accepted Settlement Agreement.

For the Petitioner:



4/22/21

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4/22/21

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TERMINATION OF CHARTER CONTRACT WITH
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AGREED SETTLEMENT

The State of Oklahoma, ex rel., the Statewide Virtual Charter School Board (“SVCSB”) and Community Strategies, Inc., governing board for Epic One-on-One Charter School, with advice of counsel, hereby enter into this Agreed Settlement Order, pursuant to 75 O.S. § 309(E) of the Administrative Procedures Act and Okla. Admin. Code 777:1-1-9(d). By voluntarily entering this Agreed Settlement Order (the “Order”), the SVCSB and Community Strategies, Inc. (collectively, the “Parties”) desire to settle the allegations set forth in the Notice of Intent to Terminate Charter Contract (the “Notice”). For purposes of this Order, the Parties agree as follows:

WHEREAS, Community Strategies, Inc., an Oklahoma not for profit, is the board of education of Epic One-on-One Charter School, which is a statewide virtual charter school authorized by the SVCSB;

WHEREAS, on April 18, 2018, the Charter Contract between the SVCSB and Community Strategies, Inc. for Epic One-on-One was approved with new contractual terms for the term beginning July 1, 2018 through June 30, 2024 (the “Charter Contract”);

WHEREAS, the Charter Contract sets forth the terms of the relationship between the Sponsor (SVCSB) and the governing board of Epic One-on-One Charter School (Community Strategies, Inc.) regarding operation of Epic One-on-One;

WHEREAS, Community Strategies, Inc. is also the governing school board for Epic Blended Charter School, which is a separate school district with a separate sponsor;

WHEREAS, Governor Stitt tasked the State Auditor and Inspector with conducting an investigative audit of Epic Charter Schools and all related entities;

WHEREAS, on October 1, 2020, the State Auditor and Inspector issued its Investigative Audit Report of Epic Charter Schools, which included Epic One-on-One and Community Strategies, Inc., as well as other entities identified in the Audit Report (the "Audit");

WHEREAS, on October 13, 2020, the SVCSB, as the charter sponsor of Epic One-on-One, voted to issue a Notice of Intent to Terminate Charter Contract (the "Notice");

WHEREAS, Epic One-on-One and Community Strategies, Inc. have denied the material allegations in the Notice;

WHEREAS, the Parties have conducted discovery and set the Notice for a hearing for the presentation of evidence;

NOW THEREFORE, the Parties approve this Order and settle the allegations in the Notice on the terms and conditions set forth herein:

1. **Compliance Auditor.** The SVCSB's Compliance Auditor shall oversee Epic One-on-One's compliance with the terms of this agreed settlement order.

a. The Compliance Auditor shall:

- i. Report monthly to the SVCSB as to Epic One-on-One's compliance with the terms of this order.
- ii. Review all shared service agreements and suggest amendments or corrections.

- iii. Review appropriate financial documentation to ensure compliance with the terms of this order.
 - iv. Review financial policies and procedures.
 - v. Review Learning Fund policies and procedures and all records of the Learning Fund as needed.
 - vi. Attend and observe governing board meetings.
 - vii. Any other duty necessary to ensure Epic One-on-One and its governing board's compliance with the terms of this order.
- b. Epic One-on-One and its governing board shall cooperate fully with the Compliance Officer and shall provide space and necessary equipment within the Epic One-on-One administration building at 50 Penn Place for the Compliance Auditor to use.
 - c. Epic One-on-One shall provide unfettered access to all original documentation, online systems and personnel requested by the Compliance Auditor to perform his/her duties.
 - d. The Compliance Auditor shall continue in the role until released by the SVCSB.
2. **Separate School Districts.** Epic One-on-One and Epic Blended are separate school districts and shall be treated as such in all aspects. For example, the schools have separate charter sponsors, charter contracts, governing boards¹, separate policies and procedures, separate finances, separate site codes, separate accreditation, separate membership in Teachers Retirement System, separate faculty and teachers, and separate leadership.

¹ It is understood that the members of the Boards may be the same if shared services agreements are not used to share resources and/or personnel. If shared services agreements are used to share resources and/or personnel, then the board members of the governing boards must be different people.

- a. The governing board of the charter school may enter into shared service agreements with another school district to share the services of an administrator, teacher, or support service provider; to share equipment or facilities, and/or to share duties or responsibilities required of the school districts of the state. Shared services agreements shall not be entered into by school districts with governing boards that have the same people sitting on the respective boards.
- i. Such agreement shall be effective only after approval by the sponsor and such agreement shall be subject to change or termination by the sponsor.
 - ii. The duration of such an agreement shall be for a term of one (1) year and notice of intent of a school district to withdraw from the shared services agreement must be given no later than March 15 for the ensuing school year. The agreements may be extended for one (1) year terms upon agreement by the parties and notice to the sponsor annually for approval. The agreement shall also set forth a termination clause allowing either party to terminate the contract.
 - iii. Such agreements shall not be blanket agreements for all services, but shall be separate, individualized and specific agreements for each service/position/duty/equipment/facility sought to be shared between districts.
 - iv. Such agreements shall specifically set forth the financial responsibility of each party, and specific payment terms. Payment for shared services shall be paid by each school in a proportionate manner, without reimbursement. Reimbursement shall only be allowed for equipment, testing sites, and

utilities such as electrical, water, etc. that are unable to be invoiced separately.

- v. The method of calculating the proportional share to be paid by each school shall be included in the agreement. If the calculation is based upon an enrollment count report that is updated on a recurring basis, the initial report shall be attached to the agreement, and the subsequent reports shall be made available to the sponsor upon request.
 - vi. Reimbursement payments shall be paid on a quarterly basis, at a minimum.
 - vii. For agreements to share property or tangible items, the agreement shall be specific as to ownership and methods to be employed for disposing of property upon partial or complete termination of the agreement.
 - viii. For agreements to share personnel, the agreements shall account for how employees' benefits shall be paid proportionally by the appropriate entity.
 - ix. Management company contracts may not be a shared service.
- b. Epic One-on-One shall not enter into shared service agreements with school districts in states other than Oklahoma.

3. **Financial.**

- a. All of Epic One-on-One's finances (bank accounts, records and documentation) shall be maintained separate and apart from the finances of Epic Blended.
- b. Payroll for Epic One-on-One employees shall be paid out of Epic One-on-One's accounts. Epic Blended employees shall not be paid from Epic One-on-One's bank account.

- c. For employees subject to a shared service agreement that has been approved by the Board and by the SVCSB, they shall be paid proportionally from the appropriate school's account. Reimbursement between schools is not allowed for shared personnel.
 - i. The shared service calculation for proportionate compensation shall be based on the separate student enrollment for each school district.
 - ii. The employment contracts for Epic One-on-One employees that will provide shared services shall include provisions stating the proportional compensation and all related information.
- d. Community Strategies, Inc. shall hire and maintain an Internal Auditor² that oversees the finances of the Board and Epic One-on-One, and reports only to Community Strategies, Inc.
- e. Community Strategies, Inc. shall hire and maintain a chief financial officer³ that works only for Epic One-on-One. This person may be subject to a shared service agreement with Epic Blended only if approved by the SVCSB. Epic One-on-One's chief financial officer shall report only to Community Strategies, Inc. and/or Epic One-on-One's Superintendent.
- f. Epic One-on-One will employ its own encumbrance clerk(s) that works only for Epic One-on-One, reports directly to the chief financial officer, and shall not be subject to a shared services agreement.

² It is understood that this position has been filled recently by Linda Ladd, and this agreement is not requiring Community Strategies, Inc. hire a new person, but is requiring that this position shall be maintained for the duration of the charter contract.

³ It is understood that this position has been filled recently by Jeanise Wynn, and this agreement is not requiring Community Strategies, Inc. hire a new person, but is requiring that this position shall be maintained for the duration of the charter contract.

- g. Only public employees shall have access to Epic One-on-One school accounts, including the Learning Fund and any other bank account that is used for the operation of the school.
- h. The policies and procedures for management of Epic One-on-One's finances shall include at a minimum:
 - i. All contracts under \$150,000 that are entered into on behalf of Epic One-on-One shall be approved and signed by the Superintendent of Epic One-on-One. All contracts \$150,000 and above that are entered into on behalf of Epic One-on-One shall be approved by Community Strategies, Inc. and signed by the Chairperson of Community Strategies, Inc.
 - ii. Specification of which school finance employees may be selected by the Superintendent as his designee for various purchasing policy oversight.
 - iii. An explanation of the specific OCAS compliant accounting system used for the school.
 - iv. An explanation of the responsibilities of the chief financial officer, other financial employees, and the encumbrance clerk(s).
 - v. An explanation of the purchasing process, including but not limited to the procedure from open to close of purchase orders, explaining what documentation is to be kept on file, what software systems are to be used, which employees are responsible at each point in the process, and what potential consequences would come to employees in violation of the policy.
 - vi. A requirement that the encumbrance clerk must have all supporting documentation on file for purchase orders and invoices, based on the

expenditure/procurement procedures approved by the governing board, prior to issuing payment.

- vii. A policy for purchase order change orders indicating a threshold amount that may be approved by the Superintendent or designee and those that would require governing board approval.
- viii. An explanation of the payroll procedure process, including but not limited to an explanation of the calculation of payroll from the shared services employees, how the revenue will be allocated from the school's general fund to be ultimately paid out to employees, what documentation is to be kept on file by the accounting office, and what potential consequences would come to employees in violation of the policy.
- ix. An explanation of the calculation of student enrollment numbers that are used to calculate payroll for employees subject to shared service agreements.
- x. A requirement that changes to the policy(ies) must be approved by the governing board of Epic One on One.

4. **Learning Fund**. The Learning Fund shall be moved to a school bank account on July 1, 2021.⁴

- a. Epic One-on-One and Epic Blended shall not share a common Learning Fund account.

⁴ This agreement in no way changes the position of the SVCSB that the Learning Fund account and related information has always been public record and subject to audit even though it was housed in an account held by the for-profit management company. Further, this does not preclude the SVCSB from taking administrative action should new facts arise that were unknown to the Board at the time of this agreement.

- b. All records related to the Learning Fund account shall be public record.
- c. All requisitions, purchase orders, invoices, and/or payment records shall be public record.
- d. All vendor information, contracts, purchases, invoices, and any other vendor related documentation shall be public record.
- e. Records related to the purchases made on behalf of specific students shall be available for inspection, subject to proper redaction of identifying information of the student, if necessary, for review of the record(s).
- f. The SVCSB, as sponsor, shall have access to view unredacted student records, including Learning Fund account details, and all other student records, as needed.
- g. All purchases made from the Learning Fund shall follow the requirements set forth in Oklahoma statutes for purchasing, including but not limited to 70 O.S. § 5-135.
- h. All purchases made from the Learning Fund account shall be timely coded with the appropriate code as indicated in the Oklahoma Cost Accounting System (OCAS) manual prior to purchase.
- i. Public records shall not be denied to any party that requests records related to the Learning Fund, subject to privacy requirements of the student. Public records shall be provided promptly upon request.
- j. These requirements apply even if the name of the Learning Fund is changed.
- k. If the Board changes the name of the Learning Fund, or discontinues its use, it shall notify the SVCSB immediately.

5. **Management Organization.** Epic agrees to the following terms concerning contracting with an educational management organization:

- a. Epic One-on-One's governing board may contract with an educational management organization but must retain ultimate oversight responsibility and authority for the School.
- b. The School and the educational management organization shall be separate entities in all aspects, including but not limited to staffing, organizational management, financial, operational, etc.
- c. Public school employees shall not report to the educational management organization or an employee of the educational management organization. Public school employees paid with public dollars shall report to the Superintendent of Epic One-on-One, who reports to the governing board. Employees that report to the educational management organization shall be employees of the educational management organization.
- d. The contract for management services shall clearly list the services provided by the management company for the school in list form and in detail. The list shall include cost of services.
- e. Epic One-on-One shall report the total amount paid to the educational management organization as well as accurate, itemized expenditure information for the goods or services provided by the management organization as defined by OCAS expenditure codes.
- f. The governing body of Epic One-on-One shall conduct an annual evaluation of the educational management organization and an annual review of the educational management organization's operating agreement, and such evaluation and review shall include an annual contract compliance audit.

- g. The educational management organization, at the directive of the governing board of Epic One-on-One, shall engage a Big Five accounting firm to perform a contract compliance audit of the educational management organization's compliance with the terms of the management agreement. The audit shall confirm receipt by Epic One-on-One's governing board of all goods and services to be provided by the educational management organization to Epic One-on-One's governing board. A copy of the audit report shall be provided to the SVCSB each year.
- h. Epic One-on-One's governing board shall amend its contract with the education management organization to provide that the management fee shall be calculated on the actual amount of Foundational State Aid funding received by Epic One-on-One after the SVCSB has retained its oversight fee, and no management fee shall be taken on any other funds, to include, but not limited to, federal funds.

6. **Governing Body.** Epic agrees to the following revisions to its Board governance:

- a. If Epic One-on-One uses shared service agreements to share resources and/or personnel between Epic One-on-One and Epic Blended as provided herein, the governing boards of the two schools must be made up of entirely different members.
- b. Epic One-on-One's governing board shall have no less than seven (7) members;
- c. Two (2) of the members of the governing board shall be either a parent, grandparent, or guardian of a student currently enrolled or previously enrolled in Epic One-on-One.
- d. This new governing board composition shall be completed by June 30, 2021.

- e. Epic One-on-One's governing board shall amend its by-laws to include specific terms of service for board members and the requirement of scheduled monthly board meetings.
 - f. Epic One-on-One's governing board shall not amend its contract with the educational management organization until this Order is approved by the SVCSB and the School's governing board.
 - g. The SVCSB will not penalize Epic for reconstituting its board of education in its performance framework or consideration of Charter Contract renewal.
7. **Investigative Audit.** Pursuant to the terms of the current charter contract, Term 7.14.1, Epic One-on-One is subject to requests for audit by the State Auditor's Office and shall cooperate fully in all aspects of any request made pursuant to such audit.
8. **Audit Firm.** Epic One-on-One agrees to engage a different independent financial audit firm than it has used previously for its annual independent financial audit required by Oklahoma law for the FY 22 audit. Epic One-on-One agrees to further change its audit firm as otherwise required by law, rule, or agreement.
9. **Implementation.** The Parties agree that the implementation of the conditions set forth herein are to begin no later than July 1, 2021 and shall continue until the expiration of the Charter Contract.
10. **Costs.** Epic One-on-One will be solely responsible for any of the costs associated with completion of the conditions of this Order. The SVCSB and Epic One-on-One shall be solely responsible for any fees, costs, or other expenses incurred in connection with the Notice and related termination proceedings.

11. **Enforcement.** Epic One-on-One understands and agrees that should any new information be brought to the attention of the SVCSB in which Epic One-on-One has violated its Charter Contract, including the amendments set forth herein, or applicable rules or statutes, the SVCSB may take appropriate action, including but not limited to amending the terms of the charter contract or pursuing charter contract termination proceedings. Failure to comply with any of the terms of this Order may result in further disciplinary action against Epic One-on-One, including, but not limited to, institution of termination proceedings.
12. **Dismissal Upon Completion.** By entering this Order, the SVCSB agrees to dismiss the Notice of Intent to Terminate upon full compliance with all the terms of this settlement agreement.
13. **Incorporation into the Contract.** The parties have agreed to amend the charter contract consistent with the terms of this agreement. This agreement will be included as an addendum to the current contract between the parties and fully incorporated therein.

BY MAJORITY VOTE, THE UNDERSIGNED IS HEREBY AUTHORIZED TO EXECUTE THIS AGREED SETTLEMENT ORDER ON BEHALF OF THE STATEWIDE VIRTUAL CHARTER SCHOOL BOARD THIS __ DAY OF _____, 2021.

STATEWIDE VIRTUAL CHARTER SCHOOL BOARD

By:

ROBERT FRANKLIN, Ed.D., Chair

Date

BY MAJORITY VOTE, THE UNDERSIGNED IS HEREBY AUTHORIZED TO EXECUTE THIS AGREED SETTLEMENT ORDER ON BEHALF OF COMMUNITY STRATEGIES, INC., AS THE GOVERNING BOARD OF EPIC ONE-ON-ONE CHARTER SCHOOL THIS 21 DAY OF April, 2021.

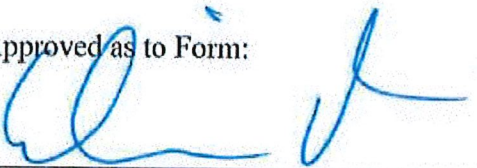


DOUGLAS SCOTT, Chairman
Community Strategies, Inc. Governing
Board for Epic One-on-One Charter School

4/21/2021

Date

Approved as to Form:



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April 21, 2021

Date



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Attorney for the SVCSB

April 22, 2021

Date