

**FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM
 AB139 STUDY AGREEMENT
 February 12, 2020**

The Fiscal Crisis and Management Assistance Team (FCMAT), hereinafter referred to as the team, and the El Dorado County Office of Education, Fresno County Superintendent of Schools, Kern County Superintendent of Schools, Los Angeles County Office of Education, Placer County Office of Education, San Diego County Office of Education, Sutter County Superintendent of Schools, and Ventura County Office of Education, hereinafter referred to as the COEs or county superintendents, mutually agree as follows:

1. BASIS OF AGREEMENT

The team provides a variety of services to local educational agencies (LEAs). Pursuant to the provisions of Education Code (EC) Section 1241.5 (c), county superintendents may review or audit the expenditures and internal controls of any charter school in their county if they have reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination. The extraordinary audits conducted by the county superintendents shall be focused on the alleged fraud, misappropriation of funds, or other illegal fiscal practices and shall be conducted in a timely and efficient manner.

All work shall be performed in accordance with the terms and conditions of this agreement.

2. SCOPE OF THE WORK

A. Scope and Objectives of the Study

The county superintendents listed above have requested that FCMAT assign professionals to conduct an AB 139 Extraordinary Audit pursuant to Education Code Section 1241.5 (c). The county superintendents have received information regarding possible fraud, misappropriation of funds or other illegal fiscal practices at the charter schools listed below, all of which are current or former entities of Inspire Charter Schools.

COE	Name of Charter School	Also Known As	Authorizing School District
Fresno	ICS-Central	Yosemite Valley Charter	Westside Elementary
San Diego	Cabrillo Point Academy	ICS-South	Dehesa Elementary

San Diego	Pacific Coast Academy	ICS-Pacific Coast, or Learning Latitudes	Dehesa Elementary
El Dorado	Clarksville Charter		Buckeye Union
El Dorado	Cottonwood Charter		Buckeye Union
Sutter	Feather River Charter	ICS-North	Winship-Robbins
Kern	Heartland Charter	ICS-Kern	Maricopa Unified
Kern	Blue Ridge Academy		Maricopa Unified

The main focus of this review is to determine, based on the sample testing performed and the auditor's judgment, whether (1) any charter claimed attendance apportionment to which it was not entitled; was involved in any undisclosed or inappropriate related-party transactions that were in conflict with state and federal policies and standards or that violated conflict of interest laws, and whether the charter was involved in financial transactions that were not for legitimate educational purposes, or operated any resource centers outside of their authorized areas; and (2) based on that assessment, determine whether fraud, misappropriation of funds or other illegal fiscal practices may have occurred.

The team will review and test recorded transactions for the fiscal years described in the scope of this agreement to determine if fraud, misappropriation of funds or other illegal activities may have occurred. Testing for this review will be based on the auditor's judgment and a sample of transactions and records for the specified period. Testing and review results are intended to provide reasonable but not absolute certainty about whether the charters' financial transactions and activity were sufficiently accurate.

Most specifically, the county superintendents are requesting that FCMAT conduct a review to:

1. Evaluate attendance practices for the charters and review supporting documents for school years 2017-18, 2018-19 and 2019-20 to date to determine if attendance apportionment claimed from the state of California is substantiated, including residency within the operational boundaries approved by each charter petition, pupil-to-teacher ratios, and students who have dual enrollment in private sectarian schools.
2. Evaluate enrollment practices for the charters and review supporting documents for school years 2017-18, 2018-19 and 2019-20 to date to determine if enrollment and enrollment for specific student subgroups (English learners, low income and foster youth) is substantiated as related to the calculation of the Local Control Funding Formula.

3. Determine whether any of the charter schools listed above engaged in undisclosed or inappropriate related-party transactions and, if so, whether those transactions were conducted openly and in accordance with established national and state policies, standards and procedures. Many Inspire schools recently underwent a name change. The scope in this area will apply to each charter school listed above for fiscal years 2017-18, 2018-19 and 2019-20 to date, regardless of any name change. The team will:
 - a. To the extent reasonably possible, identify related parties and determine if the relationship was properly disclosed and/or appropriate.
 - b. Review the charter petitions, articles of incorporation, and bylaws.
 - c. Review vendor listings, vendor detail transaction reports, contracts, purchase orders and memoranda of understanding, for fiscal years 2017-18 through 2019-20 to date.
 - d. Review financial transactions of the charter schools and any related party for fiscal years 2017-18 through 2019-20 to date.
 - e. Review any charter property or assets transferred to any related party for fiscal years 2017-18 through 2019-20 to date.
 - f. Review the annual independent audits for fiscal years ending June 30, 2017; June 30, 2018; and June 30, 2019.
 - g. Review funding determinations for, 2017-18, 2018-19 and 2019-20 to date.
 - h. Review Internal Revenue Service (IRS) Forms 990 for 2017, 2018 and 2019.
4. Determine if loans or transfers made to or from the charter schools for 2017-18, 2018-19 and 2019-20 to date were for legitimate educational purposes, and if they had proper approval and were in accordance with California charter law.
5. Determine whether any conflict of interest standards may have been violated by any of the charter schools' local public officials, designated employees, or any "consultant to the organization who makes, participates in making, or acts in a staff capacity for making governmental decisions" as defined in the Political Reform Act (PRA) of 1974 (Government Code Sections 81000 – 91014).
 - a. Review applicable PRA Form 700 filings from 2017 through 2020 to date.

- b. Review applicable board meeting minutes and other documents from 2017 through 2020 to date.
5. To the extent possible, evaluate the existence of any Inspire-related charters that operate resource centers outside of their authorized areas for the counties previously listed, including Los Angeles, Placer and Ventura counties.

B. Services and Products to be Provided

1. Orientation Meeting – The team will conduct an orientation session at the charters to brief management and supervisory personnel on the team’s procedures and the purpose and schedule of the study.
2. On-Site Review – The team will conduct an on-site review at the charters’ offices and at school sites if necessary; pertinent documents will also be reviewed off site.
3. Progress Reports – The team will inform the COEs of material issues as the review is performed.
4. Exit Meeting – The team will hold an exit meeting at the conclusion of the on-site review to inform the COEs of any significant findings to that point.
5. Draft Report – When appropriate, electronic copies of a preliminary draft report will be delivered to the COEs’ administrations for review and comment on a schedule determined by the team.
6. Final Report – One final report will be issued covering the scope of work. Electronic copies of the final report will be delivered to the COEs following completion of the review. Printed copies are available from the FCMAT office upon request.
7. Follow-Up Support – If requested, the team will meet with the COEs and/or charters to discuss the findings and recommendations of the report.

3. PROJECT PERSONNEL

The FCMAT study team may include:

<i>A.</i>	<i>Michael Ammermon</i>	<i>FCMAT Staff</i>
<i>B.</i>	<i>To Be Determined</i>	<i>FCMAT Staff</i>
<i>C.</i>	<i>To Be Determined</i>	<i>FCMAT Staff</i>
<i>D.</i>	<i>To Be Determined</i>	<i>FCMAT Staff</i>
<i>E.</i>	<i>To Be Determined</i>	<i>FCMAT Staff</i>
<i>F.</i>	<i>To Be Determined</i>	<i>FCMAT Staff</i>
<i>G.</i>	<i>To Be Determined</i>	<i>FCMAT Consultant</i>

Other equally qualified staff or consultants will be substituted in the event one of the above individuals is unable to participate in the study.

4. PROJECT COSTS

The cost for studies requested pursuant to EC 42127.8 (d) (1) shall be:

- A. \$1,100 per day for each staff team member while on site, conducting fieldwork at other locations, presenting reports, or participating in meetings. The cost of independent FCMAT consultants will be billed at their actual daily rate for all work performed.
- B. All out-of-pocket expenses, including travel, meals and lodging.

Based on the elements noted in Section 2A, the total estimated cost of the study will be \$325,000.

- C. Any change to the scope will affect the estimate of total cost.
- D. This study agreement involves multiple county superintendents. The cost to complete this study agreement shall be borne by each of the COEs in equal share (eight county superintendents, each shall pay 1/8 or 12.5% of the costs).

Payments for FCMAT's services are payable to Kern County Superintendent of Schools - Administrative Agent, located at 1300 17th Street, City Centre, Bakersfield, CA 93301. Clients may qualify for reimbursement from funds set aside for this purpose, pursuant to AB 139.

5. RESPONSIBILITIES OF THE COEs AND/OR CHARTERS

- A. The charters will provide office and conference room space during on-site reviews.
- B. The charters will provide the following if requested:
 - 1. Policies, regulations and prior reports addressing the study request
 - 2. Current or proposed organizational charts
 - 3. Current and two prior years' audit reports
 - 4. Any documents requested on a supplemental list. Documents requested on the supplemental list should be provided to FCMAT only in electronic format; if only hard copies are available, they should be scanned by the charters and sent to FCMAT in an electronic format
 - 5. Documents should be provided in advance of fieldwork; any delay in the receipt of the requested documents may affect the start date and/or completion date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's online SharePoint document repository where the charters shall upload all requested documents.

- C. The county superintendents will review a draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report. Comments on the draft report shall be provided to FCMAT within ten (10) days.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The charters shall take appropriate steps to comply with EC 45125.1(c).

6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for different phases of the study and will be established upon the receipt of a signed study agreement:

<i>Orientation:</i>	<i>To be determined</i>
<i>Staff Interviews:</i>	<i>To be determined</i>
<i>Exit Meeting:</i>	<i>To be determined</i>
<i>Draft Report Submitted:</i>	<i>To be determined</i>
<i>Final Report Submitted:</i>	<i>To be determined</i>

7. COMMENCEMENT, TERMINATION AND COMPLETION OF WORK

FCMAT will begin work as soon as it has assembled an available and appropriate study team consisting of FCMAT staff and independent consultants, taking into consideration other jobs FCMAT has previously undertaken and assignments from the state. The team will work expeditiously to complete its work and deliver its report, subject to the cooperation of the charters and any other parties from which, in the team's judgment, it must obtain information. Once the team has completed its fieldwork, it will proceed to prepare a draft report and a final report. Prior to completion of fieldwork, the COEs may terminate their request for service and will be responsible for all costs incurred by FCMAT to the date of termination under Section 4 (Project Costs). If the COEs do not provide written notice of termination prior to completion of fieldwork, the team will complete its work and deliver its report and the COEs will be responsible for the full costs. The COEs understand and agree that FCMAT is a state agency and all FCMAT reports are published on the FCMAT website and made available to interested parties in state government. In the absence of extraordinary circumstances, FCMAT will not withhold preparation, publication and distribution of a report once fieldwork has been completed, and the COEs shall not request that it do so.

8. INDEPENDENT CONTRACTOR

FCMAT is an independent contractor and is not an employee or engaged in any manner with the COEs. The manner in which FCMAT's services are rendered shall be within its sole control and discretion. FCMAT representatives are not authorized to speak for, represent, or obligate the COEs in any manner without prior express written authorization from an officer of the COEs.

9. **INSURANCE**

During the term of this agreement, FCMAT shall maintain liability insurance of not less than \$1 million unless otherwise agreed upon in writing by each COE, automobile liability insurance in the amount required under California state law, and workers' compensation as required under California state law. FCMAT shall provide certificates of insurance, with each COE named as additional insured, indicating applicable insurance coverages upon request.

10. **HOLD HARMLESS**

FCMAT shall hold the COEs, their boards, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of their boards, officers, agents and employees undertaken under this agreement. Conversely, the COEs shall hold FCMAT, its board, officers, agents and employees harmless from all suits, claims and liabilities resulting from negligent acts or omissions of its board, officers, agents and employees undertaken under this agreement.



Jim Yovino, County Superintendent
Fresno County Superintendent of Schools
2/26/2020

Date

Ed Manansala, County Superintendent
El Dorado County Office of Education

Date

Mary Barlow, County Superintendent
Kern County Superintendent of Schools

Date

Debra Duardo, County Superintendent
Los Angeles County Office of Education

Date

Gayle Garbolino-Mojica, County Superintendent
Placer County Office of Education

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Paul Gothold, County Superintendent
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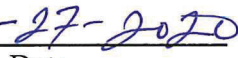
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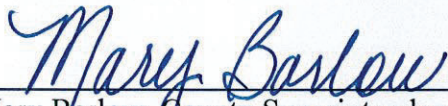
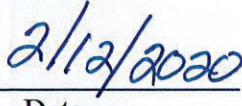
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	Feb 19, 2020
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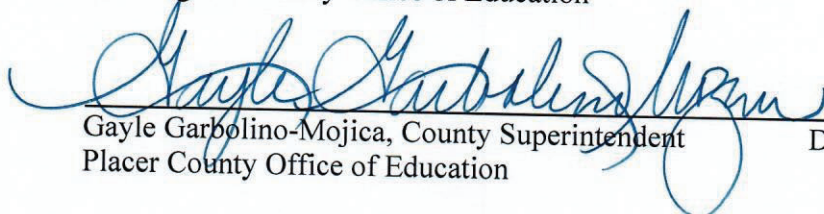
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2-12-20

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Sutter County Superintendent of Schools

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Stanley Mantooth, County Superintendent
Ventura County Office of Education

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February 12, 2020

Michael H. Fine
Chief Executive Officer
Fiscal Crisis & Management Assistance Team

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