

**From:** Brad Clark <Brad.Clark@sde.ok.gov>

**Sent:** Friday, October 16, 2020 1:41 PM

**To:** matt.wilson@sovereignschools.org

**Cc:** Stacie Thrasher <stacie.thrasher@sovereignschools.org>; cbrewster@santafesouth.org

**Subject:** State Board of Education - Quarterly Report

Matt,

As you are aware, Sovereign Community School (SCS or Sovereign) appeared at the May 28, 2020 meeting of the State Board of Education to discuss its proposed merger with Santa Fe South Charter Schools. Shortly thereafter, Sovereign briefly requested that it be released from its sponsorship agreement with the State Board, as it was negotiating with Rose State Community College for its sponsorship of SCS. However, leading into the June 25, 2020, meeting of the State Board, Sovereign proposed that it retain its status as a stand-alone charter school sponsored by the State Board of Education. As such, this matter was presented to the State Board at its June 25, 2020, meeting. At this meeting, you and representatives appeared to present the current financial situation of SCS, including the negative fund balance at that time and the proposed solution to end FY 20 without the negative fund balance and do so, in part at least, through a loan transaction with Santa Fe South Development Corp. Further, you proposed the expansion of SCS to serve 5<sup>th</sup> grade in addition to the grades being served at that time, which according to SCS would serve to increase overall student enrollment (projected at this time to be 160 students) and result in a sustainable budget. As a result, the State Board of Education took [action](#) at its June 25<sup>th</sup> meeting to:

1. Authorize expansion to 5<sup>th</sup> grade;
2. Require the school to obtain an independent financial audit, and to do so immediately with the report being made available as soon as possible; and
3. Provide OSDE with monthly financial reports. See Minutes, p. 5, at the link above.

From and since the June 25<sup>th</sup> meeting, it is my understanding that Sovereign has expanded to serve 5<sup>th</sup> grade students; however, the enrollment with the expansion to serve additional students has not occurred as was projected in June. Rather, it is my understanding that the School currently has approximately 100 students enrolled, shy of the projected 160 and what the school's budget was based on. Please advise as to the financial impact of this differentiation in projected v. actual, and provide an updated budget for SCS.

Further, whereas SCS provided OSDE with the contract for an audit, dated July 9, 2020 (attached), there has not been an update as to the current status of the audit. In fact, despite my request on September 12 to you for an update on the status of the audit, a response was not received. September 12, 2020, e-mail is attached.

With respect to the financial statements, though SCS provided the June 2020 financial statement and the July 1-31 bank statement, financial reports have not been provided since August 17, 2020. A copy of the June 2020 financial report and the bank statement are attached.

In addition to these items, there are additional matters that continue to merit attention.

### Annual Statistical Report

On June 30, 2020, Sovereign was notified that it had not yet certified its Annual Statistical Report and it was due that day. This Report is the basis upon which many factors for state aid funds are distributed, but despite prior notices, SCS had to be notified within one hour of the deadline of the due date. June 30, 2020, e-mail at 3:57 P.M. is attached.

### School Personnel Reporting

Earlier this week we advised you that Sovereign had not started its School Personnel Report and certification from you as the superintendent of schools. As set forth in the email (attached), this report was due on October 15<sup>th</sup>, but OSDE granted an extension to October 23. October 14, 2020, e-mail is attached. As of today, Sovereign has yet to commence completing this required report. Actually, this is of additional concern given the information that was reported to close out FY 2019-20.

As you will recall, Sovereign certified that it had 0 certified personnel and 4 support personnel as employees—for the entire school. However, as evidenced by the attached information, Sovereign reported for purposes of flexible benefit allowances that it had eight (8) certified personnel. See attached, Flexible Benefit Allowance, Boxes 1-2. On July 25, 2020, I communicated with SCS to ask that you all please get the personnel reports completed and to not hesitate to reach out to us for assistance as we want to be helpful. In response, I was advised “with 100% confidence, that it will NOT happen in our 2020-2021 reporting and data.” From that point, you emailed OSDE staff in attempt to closeout and certify the FY 20 reporting. See E-mails dated August 5-6, 2020, attached.

### Estimate of Needs& Budget

Oklahoma [law](#) requires that prior to October 1 of each year, a school district provide a financial statement, showing the true fiscal condition of the school district and make a written itemized statement of estimated needs and probable income from all sources for the current fiscal year. This is commonly referred to as the Estimate of Needs. Upon review of Sovereign’s agendas, it does not appear that the aforementioned October 1 requirement has been met. If this understanding is incorrect, please provide evidence of the Estimate of Needs being submitted on or before October 1, 2020. Additional information relating to the Estimate of Needs is addressed below.

As previously discussed with the State Board, documents provided to the OSDE and State Board disclosed approximately \$172,000 needing to be paid to Oklahoma Teachers Retirement System (OTRS). Attached is the budget that I understand was presented to the SCS governing board on or near July 16, 2020. On this budget document, I note the statement that it does not include the \$172,000 that is owed to OTRS, and if it did, SCS would have been at -\$313,000 for the year. Further notes from this budget include administrative salaries increasing and instructional salaries being down approximately \$45,000, despite the addition of a grade level.

It is also my understanding that the SCS governing board was presented with a budget at its recent meeting. If correct, I respectfully request that you provide all documents relating to budgets prepared and/or presented since the July 16, 2020, meeting of the SCS governing board.

### Oklahoma Cost Accounting System (OCAS)

According to Oklahoma [law](#), all districts must submit the prior year’s actual revenue and expenditures to OSDE, through OCAS, by September 1 of each year. Additionally, the [Oklahoma Charter Schools Act](#) addresses this as well. See Subsection (18). For the current year, it is my understanding that SCS submitted their FY 20 revenue and expenditures on August 31, 2020, meeting *some* of the statutory

requirements for submission. However, Sovereign's data was reviewed on September 16, and on or just after that review, a number of questions were sent to you and Ms. Thrasher regarding what had been submitted and also to notify you what had not been submitted. The attached information reflects this correspondence and the questions, which include:

1. Where is the Superintendent's salary? Does he volunteer? In other words, no salary for the SCS school leader was reported in OCAS;
2. As the information has not been submitted and responded to, is the District in agreement with reports relating to administrative costs, Maintenance of Effort requirements under federal laws and regulations;
3. Please upload the Estimate of Needs (addressed hereinabove).

Unfortunately, to date, no response has been provided to the email from OSDE staff.

I will continue to review additional matters as we head into next week's State Board meeting, but at this time respectfully request that you provided the information requested herein, including but not limited any documents supporting or relating to the transaction entered into between SCS and Santa Fe South Development Corp. Additionally, I respectfully request that as a part of the quarterly report to the State Board, you appear at this meeting and be prepared to address each of these matters as well as any questions that members of the State Board may have. Furthermore, I respectfully request that Ms. Thrasher and Mr. Brewster also appear at the meeting as they have been involved in prior discussions, including but not limited those at the June 2020 meeting of the State Board. Next week's meeting is scheduled to be held via videoconference and at a later time, closer to the meeting, I will send you the information to access this meeting.

Thank you in advance and I look forward to hearing from you, and please do correct any misunderstandings that I have set forth. As always, please do not hesitate to contact me if you have any questions or want to discuss these matters.

Brad Clark

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**From:** Chris Brewster <[cbrewster@santafesouth.org](mailto:cbrewster@santafesouth.org)>

**Date:** Monday, October 19, 2020 at 12:45 PM

**To:** Brad Clark <[Brad.Clark@sde.ok.gov](mailto:Brad.Clark@sde.ok.gov)>

**Cc:** "[matt.wilson@sovereignschools.org](mailto:matt.wilson@sovereignschools.org)" <[matt.wilson@sovereignschools.org](mailto:matt.wilson@sovereignschools.org)>, Stacie Thrasher <[stacie.thrasher@sovereignschools.org](mailto:stacie.thrasher@sovereignschools.org)>

**Subject:** [EXTERNAL] Re: State Board of Education - Quarterly Report

Brad,

I have recently verified that the OTRS debt has NOT been retired by SCS as I thought. I apologize for this misunderstanding on my part.

Thanks,

Chris

**From:** Matt Wilson <[matt.wilson@sovereignschools.org](mailto:matt.wilson@sovereignschools.org)>

**Date:** Monday, October 19, 2020 at 1:45 PM

**To:** Brad Clark <[Brad.Clark@sde.ok.gov](mailto:Brad.Clark@sde.ok.gov)>

**Cc:** Stacie Thrasher <[stacie.thrasher@sovereignschools.org](mailto:stacie.thrasher@sovereignschools.org)>, "[cbrewster@santafesouth.org](mailto:cbrewster@santafesouth.org)" <[cbrewster@santafesouth.org](mailto:cbrewster@santafesouth.org)>

**Subject:** [EXTERNAL] Re: State Board of Education - Quarterly Report

Hey Brad. Hope all is well. We have been hit pretty bad lately with sickness and COVID related issues. I have been flying by the seat of my pants. I just had a really great meeting to get these items squared away. We have most of the requested items completed or in process of completion. I apologize for the delay. Stacie and myself are working like crazy to finalize these items. I will have the most updated info. and forms sent over by this Wednesday afternoon. I would like to send them altogether so they are not spread out all over the place. Thanks again. Stay safe out there.

-Matt