



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

April 22, 2022

VIA E-MAIL ONLY

Mr. Travis Jett
Counsel to the State Board of Education
Travis@hodgdenlaw.com

Dear Mr. Jett:

In November 2020, the State Board of Education ("State Board") voted to downgrade Sovereign Community School's ("SCS") accreditation status to "Accredited with Probation." The State Board set the terms ("terms of probation") which are found in their entirety in Appendix A.

As part of the terms, the Oklahoma State Department of Education ("OSDE") must provide the State Board with a report detailing SCS's progress in meeting these terms on a quarterly basis. To review, SCS was required to do the following:

- Assess the expertise and capacity of its governing board
- Obtain annual independent financial audits
- Develop and implement responsible financial management practices and have a repayment plan for all outstanding obligations
- Meet Accreditation standards for correct and timely submission of all OSDE-required reporting
- Maintain compliance with all applicable federal and state laws and rules including the Oklahoma Charter School Act and fulfill the obligations of its charter contract

I. Introduction and History

Prior to reviewing SCS's progress, a historical review of prior reports and recommendations is provided.

- On April 9, 2021, the OSDE presented a recommendation to the State Board that the sponsorship of SCS should be terminated. Following a presentation and discussion with all parties, the State Board approved a motion to continue the Probation Terms and for SCS to appear at the April 22, 2021, meeting to present a five (5) year financial plan.
- At the April 22nd meeting, representatives of SCS presented information regarding proposed candidates for Head of School, fiscal planning, grant funding, mental health focused efforts for students, and other components of a 5-year revenue and expenditure projection.
- Next, SCS appeared at the State Board's June 24, 2021, meeting. At this meeting, SCS presented its new Head of School, budget overview for the month and 2021-22 projections.¹
- Finally, a quarterly report was provided to the State Board on November 1, 2021.

¹ Agenda, minutes and materials for the April 9, April 22 and June 24, 2022, meetings can be located at the following link: <https://sde.ok.gov/state-board-education-meeting-archive>



OKLAHOMA STATE
DEPARTMENT of EDUCATION

II. Summary

SCS has almost completed its third year of operation. It has spent over half of its existence on probation. The governing board appointed its new President on March 10, 2022 — its fourth since being put on probation in November 2020. Board membership has completely turned over in the last 16 months, including the departure of Kyla Molina, the last of the founding board members. Four of its six board members have been on the board less than one year. Despite being recommended in the terms of probation, SCS's board does not meet bi-weekly. In the last six months, it has held only three board meetings (December 10, 2021; March 10, 2022, and April 19, 2022) during which significant business was conducted.

Almost a year ago, the SCS board hired a new superintendent with decades of education experience but none as a Superintendent in a K-12 public school district. It retained its Director of Operations who has worked for SCS since its opening. It uses the same financial services firm for payroll and financial reporting as it did upon founding. While improvements have been seen in some areas of operations, they have been slow to come and most often, not in areas related to its probation terms. SCS administration has yet to consistently submit timely and correct reports to OSDE. Its FY21 audit (enclosed) has more material weaknesses and serious concerns than its FY20 audit. The IRS has revoked its tax-exempt status for failure to file income tax returns three years in a row. Despite repeated OSDE requests, SCS has not submitted financial plans or repayment schedules since June 2021 when its debt was only \$300,000. As of the date of this letter, SCS's unsecured debt has grown to \$400,000, equivalent to \$3,571 for each of its 112 students.

During the evaluation of SCS's governance team (board and superintendent), it is apparent that they have not acquired a sufficient knowledge base of laws, statutes, rules, regulations, and policies relating to charter schools. They also lack of familiarity with SCS's own charter contract obligations. For example, earlier this year, SCS's February 10th regular board meeting agenda listed "*(Action) Discussion and possible action on 2022-2023 School Calendar in regards to having a 4 day school week*" despite being specifically required to have 5-day school weeks in its contract. Another example, this one more serious, was discovered this week when OSDE reviewed IEPs for special education students who were enrolled in SCS's unauthorized full-time virtual learning program. These students were receiving 100% of their instruction on-line and were not required to be present on-campus at any point during the week. Their IEPs lacked appropriate documentation. In almost all IEPs, justification for virtual instruction was "request by parent". OSDE will be auditing SCS's Special Education program, its policies, student IEPs, service providers and other components starting next week.

To gather input for this report directly from SCS leadership, OSDE held videoconferences with SCS's superintendent, board president, attorney, and treasurer. Small group calls were held between SCS staff and vendors with different OSDE departments including Financial Reporting, Audit and OCAS. Input was gathered from all OSDE departments. A draft report dated March 17, 2022, which outlined key problem areas was provided to SCS's leadership who provided extensive comments. From their feedback, OSDE amended the report. Changes included streamlining the format, increasing attention of key deficiency areas versus reporting issues; highlighting SCS's recent actions to address its on-going problems with finances and federal programs; and sharing examples of SCS's correct actions.



OKLAHOMA STATE
DEPARTMENT of EDUCATION

After spending hundreds of hours reviewing, correcting, and re-reviewing official correspondence, financial reports, audits, OCAS data, statistical reports, school personnel records, board documents, and other records, it is clear that neither the board nor school administration have the requisite level of commitment and/or consistency necessary to sustainably operate a charter school. In closing this summary portion of the report, OSDE offers this thoughtful response from SCS's latest Board President, Kendra Wilson-Clements's:

"It is my hope you will recognize and accept progress where progress has been demonstrated, corrected action where corrected action has been demonstrated and/or committed to, and the continued determination of our internal and external team, teachers and staff to move our school into good standing. It is understood, our students deserve a school, educational opportunities and experiences that are safe, just, and equitable, which is the very school experience we are working so hard to provide. We understand this cannot be achieved without a strong and consistent board, board governance, infrastructure, financial management, best practices, compliance, healthy people, processes, policies, and systems so that the business and vision of our school is sustainable."

III. Assess the Expertise and Capacity of the Governing Board

According to the by-laws of SCS, its governing is to be comprised of no less than 3 and no more than 9 board members. It currently has 6 board members. Two board members joined in January 2021; the other four members' board tenure range from 1 month to 9 months. The board appointed its fourth President since being put on probation. The board met bi-monthly in the summer of 2021, but the number of meetings has steadily declined since then. It has only met three times in the last six months (Dec 9th, March 10th, and April 14th) to conduct regular business. Bi-monthly meeting are recommended in the probation terms, however the board has not meet bi-monthly since September 2021.

Despite being a requirement of its by-laws, SCS's board has not had a Vice President since May 2021. Board meetings are frequently rescheduled to accommodate the President's schedule rather than conducting a meeting chaired by a Vice President. When its previous one resigned on January 27, 2022, the SCS board went six weeks without a board president. Its April 19, 2022, board meeting agenda included discussion and possible action to appoint a Vice President. No action was taken. A SCS spokesperson provided this explanation:

"Regarding the agenda item concerning a board vice-president, the board elected not to take action on this matter since some board members were not present and to members a chance to consider the time commitment in such a role. While the SDE has raised this question in prior meetings, I do not see the board not having a vice-president as any violation of the charter contract or applicable law. It is not uncommon for not-for-profit boards, such as those that govern charter schools, to have board positions and officer positions vacant for a period of time."



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

In FY21, SCS's board had three active committees working on financial sustainability, community partnerships, and staffing. Those committees stopped meeting and became inactive by June 2021. At its last board meeting on April 19th, the board approved the formation of two new committees.

- The Governance committee will be made of up ad-hoc membership and is responsible for reviewing and proposing updates to governance and oversight documents such as by-laws, board policies, student handbook, etc. OSDE requested these documents be updated in September 2021. This is the first action taken by SCS's board.
- The Finance committee consists of the board president, treasurer, encumbrance clerk, and superintendent. It has been tasked by the SCS board to prepare a financial plan to address the financial solvency of the school, an organizational charter to address any segregation of financial-related duties, a plan to address any SDE penalties, and a plan to resolve any issues relating to donations and grant funding. The committee is required to provide an update to the SCS board at its regular board meeting on May 12, 2022. Please note that OSDE requested all these items in mid-March and has continued to repeat these requests frequently. Until these issues are resolved, SCS is at risk of serious consequences such as being unable to meet its financial obligations and required line of credit repayment by June 30th; losing a major tribal nation's future support by mismanaging its \$300,000 restricted donation, and being assessed a penalty for Excess Cost as a result of non-compliance with the Individuals with Disabilities Education Act which will reduce SCS's FY23's State Aid Allocation by \$139,000.

Although its board has major tasks to complete, it has made incremental progress in several areas. In November 2021, SCS began providing OSDE with board packets. Over the past two months, SCS has provided other documentation including bank statements, loan paperwork, meeting agendas and minutes, rosters, and other records required in the terms of probation. It is now up to date with submitting reports.

To spark improvement, OSDE began providing detailed feedback to SCS leadership which have led to the following improvements in governance and oversight:

- OSDE discovered the SCS board did not approve obtaining a line of credit from Chickasaw Community Bank and did not designate proper controls including such as signing authority, rules for using, and repayment requirements. The loan has now been approved by the board. The other issues still need to be addressed.
- Through agenda review, OSDE prevented discussion and action on several agenda items which would have been in breach of its charter contract. It also identified Open Meeting Act compliance which issues that were immediately corrected.
- OSDE discovered that SCS board was not being presented timely monthly reports created by its financial consultant. The board, in recognition that it needed to have better financial information and guidance, voted to hire a new Treasurer on March 10, 2022, who will present the financial reports at each meeting and act as its Chief Financial Officer.



OKLAHOMA STATE
DEPARTMENT of EDUCATION

- OSDE communicated with SCS's new Treasurer to change the board's non-compliant method of approving expenditures. The SCS board approved an Encumbrance Report in a legally compliant format for the first time on March 10, 2022.
- With help from its Regional Accreditation Officer, SCS collated, created, and approved required policies for Title IX, IDEA, Talented and Gifted, Attendance and Absenteeism, Title I Family Engagement, Hazardous Material Handling, and several others.
- At its April 19, 2022, the board approved its first Student Activity Fund sub-accounts so that funds raised by or donated to specific student activities and groups will be responsibly managed and accounted for.
- SCS hired a Federal Programs consultant and submitted its first reimbursement claims in late March to OSDE.

While OSDE recognizes SCS's leadership is making progress, it is important to note that OSDE legal staff averages 10 hours per week at a minimum monitoring SCS's activities at a very micro-level. This volume is not sustainable or equitable to the more than 500 other local education agencies in the state, and 700,000+ students, of which SCS makes up approximately .00016% of all students in the state. For example, OSDE tracks payments each month to see if SCS has paid its monthly bills on time. October, November, and December monthly financial statements showed no expenditures for food service, despite Sovereign providing breakfast and lunch to its students. The day after OSDE sent an inquiry to SCS's leadership requesting information on food expenses, the food service vendor was paid \$21,000 to bring its past due account up-to-date.

While pleased that SCS has finally filed a reimbursement claim with OSDE, SCS's positive momentum may already be stalled. OSDE staff monitors SCS's applications and claims in the Grant Management System weekly. During a review of its ESSER-III application submission, OSDE learned that SCS will not be using its \$200k in funding until FY23 or later. Ordinarily rolling over funds from one year to the next is not a problem. But in SCS's case, its FY 22 revenue budget lists ESSER-III's \$200k. Without those funds this year, SCS's board has encumbered its general fund revenue more than what it has been available to spend. SCS's board did the same thing in FY20 and FY21 – its expenditures were greater than its revenue. When OSDE pointed this problem out to SCS, it provided this explanation:

"[a]fter the presentation and discussion with our Federal Programs consultant, the school does not intend to revise its ESSER-III budget to include funds for FY 22. The school has nearly \$100,000 in outstanding claims presently and did not have confidence the SDE would process and pay the school for any claims on ESSER-III during the present fiscal year."

Currently, reimbursement claims that are filed correctly are being paid with 14 days or less. OSDE pays claims submitted by June 15th by June 30th. If claims are submitted by June 30th, the reimbursement funds would be accounted for in FY22, even if paid in FY23. SCS's response is yet another example of its



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

governance teams lack of knowledge and experience. Unless SCS's board changes its decision or has amazing fundraising success, it ends FY21 in the red.

To fulfill the requirement for a board audit conducted by an independent entity, The SCS Board engaged Andy Evans, Director of Finance for the Oklahoma Public School Resource Center. The primary issues that were studied in the audit include a review of (1) School Business Authorized by the Sovereign Community School Board of Education and (2) Board meetings and members. He completed his audit and presented findings to the SCS board on March 10, 2022. He amended his report to include findings for SCS's Annual Financial Audit on April 19, 2022. His audit report is provided with this report.

Summary of OPSRC Audit Findings

1. Sovereign Community School's growth in non-amortized debt will cause an issue with the viability of the school. The second loan from Chickasaw Community Bank that might require repayment by June 30, 2022, will put a strain on the finances of the school.
2. Sovereign Community School should immediately place all debts onto one sheet with payment plans and amortization schedules
3. The board of Sovereign Community School should immediately engage services to provide financial training for the board and Open Records training at the least.
4. The decision of the administration to incorrectly represent the number of students on virtual learning has ramifications on the Average Daily Membership (ADM) and Average Daily Attendance (ADA) of Sovereign.
5. Sovereign has not begun to correctly utilize the Elementary and Secondary Emergency Relief (ESSER) funds, American Rescue Plan (ARP) funds or Child Nutrition funds available to their students. This is reducing revenue.
6. The constant turnover of board members is directly impacting the ability of the board to govern the school.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

IV. Obtain Annual Independent Financial Audits

Bledsoe, Hewett, and Gullekson completed SCS's FY21 audit and presented the draft report (enclosed) to the board during its April 19th board meeting.

The auditors found five materials weaknesses.

- Lack of segregation of duties (also in FY20)
- Failure to properly follow state statute for the purchase of goods and services including purchase orders, documentation, encumbrance procedures, and such (also in FY20)
- Poor financial condition and risk of insolvency because of \$400,000 in unsecured loans
- Organizational structure: roles and responsibilities are not defined
- Board minutes were in disarray, making it impossible to verify board actions

Remainder of this page intentionally left blank.



OKLAHOMA STATE
DEPARTMENT of EDUCATION

This excerpt from the audit speaks for itself.

FINDING 2021-3 – FINANCIAL POSITION

Condition: We observed during the audit that the School entered into a loan agreement (line of credit) for \$500,000 with Sante Fe South Development, Inc. (SFS). The loan was approved by the Board for the purpose of cash flow. The School drew down \$300,000 from the loan during the 2020-21 fiscal year. The repayment of this loan is not clearly outlined in the loan agreement, however, School management stated they had anticipated additional funds from the School's 2021-22 mid-year adjustment and planned to repay the loan once these funds are received. Since charter schools can not levy taxes to pay outstanding debt, this obligation will have to be repaid from the School's general fund. The School's general fund ended the year with a \$47,650 fund balance. Without these loan proceeds, the School would have ended the 2020-21 fiscal year with a (\$252,350) deficit fund balance. Although the School did repay \$50,000 in December 2021, the School has incurred an additional \$150,000 in debt from a new loan agreement with Chickasaw Community Bank. These outstanding debt obligations, combined with lower than anticipated enrollment, increases the likelihood of insolvency.

In addition, the School ended the 2019-20 fiscal year with a \$20,812 general fund balance, however, the School had an unreported Teacher's Retirement System liability of \$57,615. The School paid this liability in the 2020-21 fiscal year. Had this expenditure been recorded in the correct fiscal year, the School would have had a deficit balance at 6/30/20 of (\$36,803).

During our audit, we discovered that the School has not filed the annual 990 tax return for tax-exempt organization, as required by the IRS. Although the School has not received a notice from the IRS, it is possible that the School will incur significant penalties for failing to file.

When considering the financial impact of the School's current debt liability, the School's 2021-22 debt liability, and the possible future IRS obligations, it appears that School has obligated futures revenues to pay for prior and current year obligations. Although the School has secured some additional funds through fundraising and donations, there is uncertainty to when the School will be able to pay these debts and what the source of revenue will be.

Criteria: Effective financial monitoring is critical to ensure that charter school operating costs remain within available financial resources. The School should demonstrate that it is financially responsible by only taking on debt when there is anticipated future revenues that will be available to repay this debt. In addition, the IRS requires that tax-exempt organizations file an annual information return on IRS Form 990.

Cause / Effect: The School's general fund had \$1,043,092 in expenditures during the 2020-21 fiscal year and only collected \$768,192 in revenues. The School had had to take out \$300,000 in debt in order to maintain a positive cash balance. Future fiscal year revenues will now have to be obligated to pay for the previous year's obligations.

Recommendation: We recommend that the School carefully monitor current year expenditures to ensure that additional loan proceeds are not drawn down. In addition, the School should prepare a budget that will not exceed expected revenues. We also recommend that the School prepare and file any past due IRS 990 tax returns.

Response: The School has not responded to the audit findings as of the date of this audit report.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

V. Develop and Implement Responsible Financial Management Practices and Maintain a Repayment Plan for All Outstanding Obligations.

Since its inception, SCS has struggled with financial management. It has never developed sufficient internal expertise to make sustainable progress in reducing its debt. New Treasurer David Harp is working with SCS administration to put processes and procedures in place. Changes, however, will take time as he has to manage current reporting and treasurer duties PLUS fix all the mistakes made earlier in the year and those remaining from last year which impact current finances.

As of the date of this report, OSDE has supplied feedback on SCS's March Monthly Financial Report. A copy of the March 2022 Financial Report with marked comments from OSDE is provided with this report.

- Its revenue budget is incorrect and overstates available funds
- Notes about individual expenditures which may be incorrect
- No plan for repayment of \$150,000 line of credit from Chickasaw Community Bank which must be repaid by June 30, 2022
- Problems with activity fund report
- Improper encumbrance of debit card expenses
- Errors and omissions on the encumbrance report which leads to inflated unencumbered funds available for expenditures
- Requesting new purchase orders without having correct revenue and encumbrance report. There is no way to verify that SCS has the funds available and unencumbered to pay for these goods and services (almost \$65k).

One particularly good thing to happen in February 2022 is that SCS became eligible for the Child Nutrition Program. Its reimbursement for March 2022 was \$5,561.29. SCS has also submitted almost \$90k in claims for reimbursement from Federal Programs via the Grant Management System.

As noted previously, SCS has provided no repayment plans for its outstanding loan debt of \$400,000 to OSDE.

VI. Meet Accreditation Standards for Correct and Timely Submission of All OSDE Reporting.

To be direct, SCS has not meet this standard. Staff in many departments including State Aid, School Personnel Records, Accreditation, Student Information Systems, Financial Accounting, OCAS, Audit, Comptroller, Child Nutrition Program, Federal Programs, Special Education, and other have spent countless hours reviewing SCS submissions, correcting, diagnosing problems, contacting SCS, re-reviewing new submissions, correcting, and then following up again and again.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

Reporting has improved in areas like Child Nutrition and Federal Programs where SCS hired a consultant. SCS's Regional Accreditation Officer has spent dozens of hours providing support, troubleshooting, and proactive communication to help SCS staff.

An example of how frustrating SCS's continued mistakes are SCS's on-line reports in School Personnel Records (SPR). This area was specifically highlighted in the terms of probation. Earlier this year OSDE found dozens of errors in SCS's on-line SPR records. The Executive Director of SPR supplied directions for correcting. SCS staff and its new treasurer made changes in the system. SCS staff emailed that all corrections were made in March, and all were correct except an error in her own personal report for which help was needed. A review this week by SPR found errors in most employee records. SCS only has 14 employees.

While it is easy to look at OSDE reporting as "red-tape", OSDE collects important information used to determine school funding allocations. It uses the data to calculate financial impact for new bills proposed by the state legislature. It supports compliance with federal grants. There is the correlation between districts that do not report correctly/on-time and districts who fail to adequately provide services to students. At several points during the year, accreditation officers and leaders of important functional areas, share information and compares lists of the districts who are non-compliant by department. Consistently the same 10-15 school districts like Western Heights Public Schools are on multiple lists. In the past 6 months, districts on multiple lists have been investigated for embezzlement; financial insolvency; Special Education complaints; and reports of Title IX violations.

VII. Maintain Compliance with All Applicable Federal and State Laws and Rules Including the Oklahoma Charter School Act, and Fulfill the Obligations of its Charter Contract

From reviews of SCS documents, SCS administration does not have adequate knowledge of the Oklahoma Charter School Act, federal laws including Individuals with Disabilities Education Act (IDEA), state laws and applicable rules.

The most serious violation of both state law and its charter contract is SCS's decision to have a 100% Virtual Education Program this year. Started in early September, students had no requirements to be physically present at school. Parents could move their child(ren) in and out of the program for any reason. The Virtual Program was not registered with the state, nor did it meet state requirements for a virtual program. It enrolled students from outside of SCS's home district (OKCPS) from as far away as Little Axe and Shawnee. This is a violation of state statute as transfer students from out of district cannot be enrolled in a virtual educational program.

OSDE learned about the 100% Virtual Program in early September from a Facebook post. What is most concerning to OSDE is that SCS never discussed the program with its sponsor and when confronted, its



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

leadership denied the program's existence. SCS said that there were two students with IEPs who were using virtual instruction as part of their accommodations. On September 24, 2022, during an in-person meeting at OSDE's office, SCS's Superintendent and Director of Operations were warned by OSDE General Counsel that having such 100% Virtual Education Program as advertised in the SCS Facebook post was both illegal and a breach of contract.

For reasons that are still unclear to OSDE, SCS's leadership disregarded OSDE's warning. Via another Facebook post, OSDE learned that SCS had students in virtual learning in late February 2022. When asked, this time SCS's Superintendent supplied information on 22 students who spent part or all of their time since September in 100% Virtual Learning. An analysis of FY21 test scores for 15 of those students still enrolled in SCS as of March 2022 shows that every student scored "Below Basic" in both English Language Arts and Math. Thus, students that need to have substantial academic growth to reach grade level, did not have to face-to-face instruction and did not have the benefit of peer classroom interaction.

SCS notified all students still enrolled that the program was ending after Spring Break. This week OSDE learned that 6 students have not returned to campus and are still in a virtual learning environment. SCS justified their status by claiming that virtual learning is part of their IEP and is the best choice for a learning environment to meet each student's needs. OSDE's Deputy Superintendent of Special Education Services did a brief review of each student's IEP and documentation found in EdPlan. These are the initial findings:

- None of these students appear to be in a virtual or distance environment due to their educational needs as there is no documentation to support their need. It appears the only reason they receive virtual, or distance services is due to a parent request.
- It is unclear as to what services are being provided to each of the students on an IEP.
- Documentation is inconsistent. Written notices appear to be written well after an action is taken by a school.
- Specific comments that appear in more than one student file
 - Student cannot come to school consistently because of transportation issues
 - Student not logging into the Acellus learning program for over a month
 - Student gets headaches and stomachs at school; student has anxiety around other students, and student is anxious in a school environment
 - Student needs to be in least restrictive environment (Note that home-based learning is the most restrictive because student has no access to general ed environment, support, or peers)

OSDE is conducting a review audit of all SCS's Special Education procedures and IEPs starting next week.

Additionally State Aid is auditing SCS's calendar to verify that it meets state requirements. Parent/Teacher conferences were held during virtual instruction days. In addition to virtual days for severe weather days,



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

SCS has scheduled “100% virtual days” each month despite other districts like OKCPS ending the practice because of extremely poor attendance. Since January 1, 2022, SCS has had 21 days of virtual-only instruction.

- Monday, April 12, 2022
- Monday, March 21, 2022
- Wednesday, February 23, 2022, thru Friday, February 25, 2022 (Severe weather)
- Thursday, February 17, 2022, thru Friday, February 18, 2022
- Wednesday, February 2, 2022, thru Friday, February 4, 2022 (Severe weather)
- Friday, January 7, 2022, to Friday, January 21, 2022 (Covid-19)

Here are examples of other legal compliance issues, in addition to those previously presented, that OSDE has addressed in the last six months or is currently working with SCS to correct

- SCS will lose approximately \$139k in State Aid funds in FY23 because of non-compliance with IDEA’s requirements for Excess Cost. Districts cannot spend more on Regular Ed students than Special Ed students
- Lack of knowledge about IRS requirements for non-profits including filing annual tax returns and policies for accepting donations for specific purposes. SCS lost its tax-exempt status in November 2020 for not filing tax returns the last three years
- Insufficient Title IX policy, which consists of one paragraph, does not provide a description of the Title IX coordinator’s responsibilities, has no methods for students make reports and does not list steps for conducting investigations
- SCS lost approximately \$3k in State Aid this year as a penalty for Excess Admin cost
- Changes made by the Superintendent to the FY22 Student Handbook which are either illegal or a breach of contract
 - “Any student applying for admission to SCS will be reviewed by the Administration and may require an interview with the Student and Legal Parent(s)/Guardian(s), pending the receipt of preliminary records.” “Contract may be required for admissions under certain circumstances” “The school board has the right to limit enrollment of an individual student for the following reasons: overcrowding, student history, and/or possible impact on the school.”
 - “Students may complete available High School Proficiency Exams for original or repeat credit.”
 - “Credit for Classroom Aides/Assistants. Students who are library assistants, office aides, teacher aides, etc. will receive a Pass (P) or Fail (F) letter grade for the assigned period. Students enrolled in these classes must be recommended by a staff member on case-by-case circumstances, must be in academic good standing, have a cumulative 2.5 GPA, and must be on track to graduate.



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

- “SPECIAL EDUCATION STUDENTS: The Individualized Education Program (IEP) team for special education students may establish alternate requirements or accommodations to credit requirements as are deemed necessary for the student to become eligible for promotion to the next grade level.”
- SCS has not complied with recent legislation including
 - Open Transfer Policy
 - Policy including complaint procedures for HB1775Annual Financial Audit is not posted on the home page

VIII. Conclusion

OSDE does not recommend lifting SCS’s probation status because of the aforementioned issues, as well as it is on track to be assigned numerous deficiencies on its FY21 Annual Accreditation Compliance Review, with some standards being deficient for the second year in a row.

Because the State Board is also the sponsor of SCS’s charter, SCS will be subject to another in-depth evaluation this spring. Per the terms of its contract and the Oklahoma Charter Schools Act, at the beginning of the fourth year of operation, the sponsor must provide to its charter school a list of all possible areas which may affect its decision to renew the sponsorship contract. In addition to the issues covered in this report, other areas of concerns currently being monitored by OSDE include SCS compliance with KLS II lease terms; safety, security, and appropriateness of education facilities; feasibility of enrollment growth; and poor academic performance.

Should you have questions about the contents of this report or require more information, please contact me directly.

Sincerely,

Brad Clark
OSDE General Counsel

Cc: Executive Director Ryan Pieper, OSDE Office of Accreditation (via email)
Executive Director of Financial Reporting, OCAS, and Audit Katherine Black (via email)

Enclosures:

1. Sovereign Community School Board Audit Conducted by Andy Evans, Oklahoma Public Resource Center (March 2022, Amended April 2022)
2. Sovereign Community School Financial Audit for 2021-2022 conducted by Bledsoe, Hewett, and Gullekson (Draft Report presented to SCS Board on April 19, 2022)
3. Response of Sovereign Community Schools
4. March 2022 Financial Report with Marked Comments from OSDE staff



OKLAHOMA STATE
DEPARTMENT *of* EDUCATION

APPENDIX A: SOVEREIGN COMMUNITY SCHOOL TERMS OF PROBATION

1. Fiscal management plan, including schedule and plan for repayment of outstanding obligations, and designate an Oklahoma State Department of Education (OSDE)-approved independent fiscal agent that reports monthly to the OSDE. In addition, see items below relating to Board Meetings, financial reports, and audit. Due: immediately begin planning and prepared to report by December 4, 2020.
2. Independent review and assessment of capacity and expertise of the governing board, taking into consideration current term limits for existing board members, and add membership as needed to allow the board to fulfill its governance duties. Due: immediately begin planning and prepared to report by December 10, 2020.
3. Ensure the timely and uniform reporting of actual costs and expenditures to the OSDE Office of School Personnel Records. Due: immediately.
4. Timely reporting and work with OSDE to ensure work is done. Due: immediately.
5. Timely and accurate completion of items addressed in the State Board meeting, including but not limited to School Personnel Records and reports relating thereto.
6. Prioritize and expedite prior conditions, including:
 - a. Obtain an independent financial audit, to be conducted immediately and reported on
 - b. Financial reports. To be provided to OSDE/OSBE on a bi-weekly basis.
 - c. Board Meetings: Bi-weekly meeting recommended.
 - d. Reconciled financials, income statements, balance sheets, budget to include amounts due and owed to Oklahoma Teachers Retirement System and Santa Fe South Development Corporation. Due: Beginning December 4, 2020
 - e. Compliance with applicable rules, regulations, and policies. Due: immediately
 - f. Submit to the Oklahoma State Department of Education, board and committee meeting agendas, materials corresponding to agenda items, and minutes prior to each board meeting while these items are sent to the school's board members. Due: immediately.
7. Quarterly reporting to the State Board