

**QUARTERLY REPORT ON PROBATIONARY ACCREDITATION STATUS:
SOVEREIGN COMMUNITY SCHOOL (SCS)
DRAFT: March 17, 2022**

Date: March 17, 2022

To: Oklahoma State Department of Education (OSDE)

From: Kendra Wilson-Clements, Board President, Sovereign Community School

Introduction from Board President, Kendra Wilson-Clements

To whom it may concern,

As the newly elected Board President, effective Thursday evening, March 10, 2022, I appreciate the opportunity to provide the OSDE with our response to the “Quarterly Report On Probationary Accreditation Status” received via email from Brad Clark on Tuesday, March 15th at 5:47 p.m.

I must admit, serving less than seven (7) days in my new role as President, coupled with extended business travel to Washington D.C. (Saturday, March 12th through Thursday, March 17th), and the absence of our legal counsel (on vacation) has placed me in a rather precarious position and has somewhat hindered my ability to fully execute on my professional and personal standards of research, discovery, assessment, and review as thoughtfully and thoroughly as I prefer to practice. However, and in spite of significant time constraints, I managed to pull together our team, gather and synthesize a considerable amount of data, reports, material and information, assign tasks and priorities, review and identify responses and solutions, in less than 48 hours. This response was made possible by the tireless efforts, heavy-lifting, gifted time, and dedication of our internal and external support team.

It is important I recognize the time, efforts, and information provided by Rebecca Budd. In the past six days, Mrs. Budd has provided me with no less than 14 emails containing helpful historical information and reports. In addition, she extended considerable personal time engaging me in two separate lengthy phone discussions. These interactions and information exchange have been extremely helpful and I am grateful for her willingness to help me navigate the history and backstory that has led us here today.

It is my hope we have addressed the outstanding questions contained in the notice sent by Brad Clark on March 15th. 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 goes without saying, 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.

We appreciate your time, review and continued consideration of our progress and plans forward.

Sincerely,

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Kendra Wilson-Clements

President, Board of Directors

The purpose of this report is to provide the Oklahoma State Board of Education (“State Board”) with a review of Sovereign Community School’s (“SCS”) progress towards meeting Accreditation Probationary terms (Probation Terms) set forth in November 2020.

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To review, the SCS Probation Terms are as follows:

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

Prior to reviewing SCS' progress towards the Probation Terms, 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 (Dr. Dusty Delso), budget overview for the month and 2021-22 projections. The agendas, minutes and available handouts for the April 9th, April 22nd and June 24th meetings are enclosed for convenience in your review. Finally, a quarterly report was provided to the State Board on November 1, 2021 and it is also enclosed for your review. Based on the information provided below, OSDE believes the evidence demonstrates the finances and arguably, the operations, at

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SCS are worse now than it was when it recommended termination of the State Board's sponsorship in April, 2021.

Sovereign Community School Response

- We disagree strongly that we are worse now than April, 2021. We separated duties to allow the business manager to do her job, submitted reports on time, hired financial consultants to assist in areas needed, implemented an academically and culturally focused curriculum, and secured tribal funding. The discussion after both audits performed on Sovereign indicate that we have items to correct but we are making notable improvement and they (consultants) believe we will move through this successfully.
- Our long range plan is to:
 - Stabilize our school board membership;
 - Continue with the services of financial consultants as needed;
 - Make the recommended changes to our processes and procedures;
 - Secure additional funding through our Federal programs claims;
 - Secure additional funds through tribal and public/private donations;
 - Continue to increase our enrollment to 400 students.

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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.

From July 1, 2021, until February 24, 2022, SCS provided OSDE with one monthly financial report (October 2021), no bank statements, and no reconciled financial documents. Within the last three weeks, after multiple requests, SCS provided monthly financial reports, bank account statements, encumbrance statements, and other financial documents through the end of February.

Sovereign Community School Response

According to David Harp, all monthly financial documents will be provided to the OSDE in a timely manner from this point forward. Mr. Harp was appointed the school treasurer on Thursday, March 10, 2022. All financial reports and documents were presented to Rebecca Budd for review. Mr. Harp's response "I can assure you that Sovereign's financial reports will be completed and up to date on a monthly basis."

After reviewing all the documentation provided, it is evident that SCS has failed to make progress in the area of financial management and compliance with applicable laws, regulations, and reporting requirements. In fact, SCS has increased its debt by \$150,000 by obtaining a line of credit from a local bank. OSDE's findings were validated by a board audit submitted to OSDE by Andy Evans, Director of Finance for the Oklahoma Public School Resource Center on March 7, 2022.

Sovereign Community School Response

Mr. Harp's response, "I respectfully disagree that Sovereign has failed to make progress in the area of financial management recently." Mr. Harp further indicated:

1. Financial reports are current as of February 28, 2022. Steps are being implemented to address many of the items noted in this letter.
2. Recently, our FY2022 revenue and expenditure data was uploaded to OCAS as requested by Katherine Black. Although this data currently has edit check errors, we will continue to work with OCAS to correct these errors. It's a complicated process but our OCAS data will be accurate and correct for FY2022. We will certify the data before the deadline of September 1, 2022.
3. In addition to the OCAS reporting, I emailed several detailed reports to Rebecca Budd for her review. I will provide these reports on a monthly basis moving forward.
4. Also, Sovereign has been working diligently to correct our employee reporting data on the School Personnel Report. This takes time but I anticipate the SPR will be accurate and up to date when the OSDE board meets March 24th.
5. Federal program monies are in the process of being claimed in the near future. We are currently reviewing all expenditures to determine if some of them are allowable to be claimed on federal grant applications.
6. We are currently addressing the issue of outstanding debt. It's critical that our federal funds are claimed and paid by June 30th to improve our financial condition.
7. The penalties for excess cost and administrative cost totaling approximately \$142,000.00 will be a burden if Sovereign is not able to appeal or submit a waiver for these amounts. We would ask for consideration on these two issues.

All of the above items are being addressed to ensure that Sovereign is making strides in improving their financial condition.

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SCS's financial challenges include, but are not limited to the following:

- Failed to file Form 990 tax returns required of all non-profit organizations for the past three years and had its federal tax-exempt status revoked on November 15, 2020.

Sovereign Community School Response

- We will contact our school auditors immediately to request the filing of past due annual 990 tax returns for FY2020 and FY2021.

- Added additional debt of \$150,000 through a line of credit from Chickasaw Community Bank. The line of credit documents state SCS' governing board approved the line of credit at December 6, 2021 board meeting. When asked of this, SCS, specifically Dr. Dusty Delso affirmed that the documents and line of credit had been approved by the board. Reviews of documents, including meeting notices and related documents on file with the Oklahoma County Court Clerk, reveal an absence of a December 6, 2021 board meeting. The SCS board did not delegate authority to its then Board President or SCS staff to obtain the line of credit. In fact, it retroactively voted to approve the line of credit at its board meeting on March 10, 2022.

Sovereign Community School Response

- This matter was discussed in several board meetings throughout the year and was never made an action item. It was ratified by the board after the fact at the recommendation of General Counsel Hickman.

- As a result of not submitting documentation to OSDE, failed to receive any reimbursements from
- OSDE-administered Federal Programs including Child Nutrition, IDEA, Title I-VII programs, Cares Act, ESSER-II, and ARP-ESSER III

Sovereign Community School Response

- Child Nutrition was approved in February 2022. The application process began in FY20 (final approval visit was slated for after Spring Break and due to COVID-19, all campuses were shut down for the remainder of the year). We restarted the process in FY21 (SCS Supt at the time and the SCS Board decided to stay virtual to lessen the impact of COVID-19 transmissions throughout our community therefore we were unable to complete the on site visits for approval).
- IDEA, Consolidated Applications, Cares and ESSER were approved and carried over in FY20 and FY21. It is true that no claims were made. This is an area that has shown improvement after the hiring of vendor Allison Brown. It is recognized from SCS and especially Stacie Thrasher for the amount of help and assistance the Department of Federal Programs provided.
- For FY22 as of 3/17/22 the following have been approved or submitted for review:
 - Assurances- Amended and submitted for review
 - LEA Agreement- Final Approved 9/22/2021
 - SPED Project 615- Final Approved 3/16/2022
 - IDEA ARP- Final Approved 3/16/2022
 - FY20 CARES- Pre-Approved 3/16/2022
 - ESSER II- Approved 10/28/2021
 - ESSER III- Submitted 3/17/2022

The following are in the process of correcting the apps

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- IDEA Consolidated App is ready, but there is a technical issue with Grants Management. Allison Brown has emailed Carole Tomlin at SDE who created a work order to resolve it, so we can get it submitted.
- Consolidated Title App
 - Dr. Delso, Stacie Thrasher, and Allison Brown are meeting on Wednesday, Mar 23, 2022 to work together in completing these applications- if not before hand
- Made late payments to vendors including Oklahoma Teachers Retirement System, Keystone Food Service Management (first payment in FY22 was February 11, 2022), and OSDE (sponsorship fee)

Sovereign Community School Response

More data is needed related to the Teachers Retirement System as if this is an alleged new issue or the same issue that was resolved in FY21? SCS became current in payments 2/2/2021 to the Oklahoma Teacher Retirement System.

- It is true that vendor payments were made late. The OSDE sponsorship fees are current.
- Spent at least \$150,000 from a designated donation (\$300,000 grant from the Chickasaw Nation for bus, 2 passenger vans, and STEM Center equipment) on operational expenses outside the scope of the donation despite the board approving encumbrances for grant expenditures

Sovereign Community School Response:

- Purchases made by the Chickasaw Nation are as follows: \$70k to Midwest Bus Sales, \$45k to CybrSchool(Acellus curriculum-this increased to cover all students in all STEM classes
- The bus amount from Northwest Bus was reallocated that was changed to operating expenses. The Chickasaw Nation did not require SCS to resubmit a budget if it was changed. The STEM building was released from remodel for use during the Spring 22 semester. We should complete and equip our labs by the start of school in FY23.
- The bus purchase was reallocated to the CSP grant and Sovereign received reimbursement on February 2, 2022.

Failed to meet FY21 Excess Cost requirements for SPED (LEAs must not spend more on regular students than SPED students) and was assessed a penalty of \$139K which will be deducted from its FY23 State Aid

- Failed to properly implement Corrective Action Plans from its FY20 audit including

Sovereign Community School Response

- The FY20 Sovereign Audit and Corrective Action Reportings (CARs) was sent to Brad Clark February 24, 2021- also cc'd on the email was Kyla Molina, Brent Bushey Accreditation officer Brent Antwine, and SFS Supt. Chris Brewster.
 - Separation of duties and implementation of internal controls
 - Failed to improve purchasing process including failing to properly encumber invoices/expenditures and have all encumbrances approved by the Board
 - Purchasing surety bonds for board member to serve as Treasurer who had no access to SCS financial software or any ability to complete statutorily required duties
 - Continued to use debit card without proper internal controls and encumbrance procedures in place

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- Improper procedures and lack of internal controls for Student Activity Fund
 - It was acknowledged that a system needed to be in place. After the Interim Superintendent was in place, more documentation- such as Activity Fund Forms to be able for sponsors to correctly request and reconcile monies coming in and out the fund. These forms are still used to this day.
- Failed to properly show accumulated debts including the SFS Development loan on financial reports
-

Sovereign Community School Response

- These were not considered findings in the audit. We had 3 documented findings:
 - Segregation of duties (extremely common among small schools and districts- was mentioned again in conversation with our Auditors during the FY21 Audit)
 - It should be noted that it is nearly impossible to have a segregation of duties due to staff limitations and the cost to do so. As Stacie mentioned, the segregation of duties comment is included in a large percentage of annual audits for school districts in the State of Oklahoma.
 - Employee Contracts were missing/unavailable: Contracts were located and presented.
 - Purchase Order with a recommendation of overall process needed improvement—at NO time was there in the Corrective Action Reporting (CAR) from the auditors a mention of improper procedures and/or Student Activity Fund lack of controls.
 - We recommend that we review our purchase order procedures and include these procedures as an agenda item in the next school board meeting.

- Failure to present information to governing board

Sovereign Community School Response

- The FY20 Audit was presented to the SCS Board February 15, 2021 and was signed by: Kyla Molina, Stacie Thrasher, Dianne Schaff, Sarah Adams-Cornell and Joseph Blanchard. The Corrective Action Reportings (CAR) were created after the presentation to the board.

At its most recent board meeting on March 10, 2022, the SCS board approved hiring David Harp as the school's new treasurer, and Allison Brown to take over duties related to Federal Programs. The new treasurer had a Zoom conference with Kathy Black, OSDE's Executive Director of Financial Accounting.

Update on Federal Grant Programs

On February 17, 2022, SCS became eligible to participate in the Federal Child Nutrition Program. The school originally initiated applying for eligibility in September 2020. While this is a positive achievement, it comes more than two full years after SCS was first put on probation. OSDE's CNP staff provided Stacie Thrasher with extensive one-on-one assistance and dealt with over half a dozen rescheduled inspection visits, several of which SCS failed to provide any prior notice to OSDE staff.

Sovereign Community School Response

- The FY20 approval visit was slated for the week of March 23-27, 2020. Due to the spread of Coronavirus, the last visit was not completed.
- The process did not make progress during FY21. The district continued virtually due to the COVID-19 Pandemic.
- FY22 was approved as stated previously. SCS and Stacie Thrasher are grateful for the guidance and knowledge to gain approval.

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- Stacie Thrasher has apologized for her failure to communicate with CNP, for not being present, and the rescheduling of appointments.
- For the Jan 12, 2022 missed appointment, Stacie Thrasher was recovering from the Omnicron variant of Covid-19. This appointment was rescheduled to January 26, 2022- this appointment was made January 18, 2022. Her mother passed away Jan 22, 2022 and her funeral was Jan 26, 2022.
- CNP will be on campus, Monday, Mar 21, 2022 at 12:00pm to initiate and assist with the first claim.

As noted, before, SCS still has not claimed any reimbursements from OSDE-administered federal programs. This chart summarizes the status of SCS’s paperwork and compliance with Federal Programs. To date, SCS has not submitted any reimbursement claim for any years. Fortunately, because of COVID-19, all programs have extended the timeframes for using funds and submitting reimbursement claims.

Sovereign Community School Response

- Title I, II, IV: Through consultation with Allison Brown and Sovereign, the Consolidated Application is in the process of being amended.
- IDEA B: The application is ready for submission. GMS had a technical issue on Wednesday, March 16. Carole Tomlin created a work order on behalf of Sovereign to allow for submission. Project 615 and IDEA applications were submitted and approved on Wednesday, March 16.
- Project 788: The budget was amended and submitted on March 16. Once approved, the district will file a claim for reimbursement.
- Project 793: Approved application. Claim to be filed soon.
- Project 795: Application resubmitted with corrections on March 17, 2022. Because this money does not expire until 2024, we will not be filing a claim in FY22.

	Notes	FY20	FY21	FY22	Other Funds	Total
Title I	FY20, FY21	\$11,597.88	\$27,147.42	\$27,111.90		\$65,857.20
Title II	Consolidated Application Approved. No Claims Made. FY22 application has not been approved.	\$2,030.20	\$4,690.42	\$4,239.64		\$10,960.26
Title IVA		\$15,000.00	\$10,000.00	\$10,000.00		\$35,000.00
IDEA-B	Student counts submitted through EdPlan. Application	\$10,591.77	\$16,622.12	\$16,614.57	\$3,947.50 (ARP IDEA Consolidated)	\$47,775.96

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	Notes	FY20	FY21	FY22	Other Funds	Total
	returned to SCS for changes on 10/28/2021					
<i>COVID-19 Relief Funds</i>						
Cares Act 788	Application approved 11/3/21 but no claims submitted	\$9,589.76	36.12			\$9,625.88
ESSER II 793	Application approved on 10/28/2021 but no claims submitted		\$88,465.74			\$88,465.74
ESSER III 795	Application returned for changes on 12/8/2021. Awaiting response. Funding can be spent over three-year period			\$200,404.52		\$200,404.52
TOTAL FEDERAL FUNDS AVAILABLE						\$458,089.56

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.

Andy Evans, Director of Finance at the Oklahoma Public School Resource Center, completed an audit of SCS governance and business practices. A copy of the audit report is enclosed He conducted an in-person inspection on December 6, 2022, and participated in a call with OSDE, SCS Superintendent Dusty Delso, SCS Director of Operations Stacey Thrasher, and SCS Treasurer David Harp. OSDE attendees were Brad Clark (General Counsel), Rebecca Budd (Chief of High Performing Systems and Operations), Ryan Pieper (Executive Director of Accreditation), and Kelly Bowen (Regional Accreditation Officer).

Summary of Audit Findings (Excerpt from Report)

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1. Sovereign Community School's growth in non-amortized debt will cause an issue with the viability of the school. The second loan from Choctaw 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.

Sovereign Community School Response

- Sovereign will prepare a document showing a payment plan to address the outstanding debts noted in this letter. Under the current circumstances, we anticipate the current repayment of all outstanding debt could be achieved by June 30, 2022. However, it is critical that Sovereign's federal dollars are claimed and received by June 30, 2022.
3. The board of Sovereign Community School should immediately engage services to provide financial training for the board
 4. The decision of the administration to incorrectly represent the number of students on virtual learning has ramifications on the ADM and ADA of Sovereign.
 5. Sovereign has not begun to correctly utilize the ESSER funds, ARP funds or Child Nutrition funds available to their students. This is reducing revenue

Sovereign Community School Response

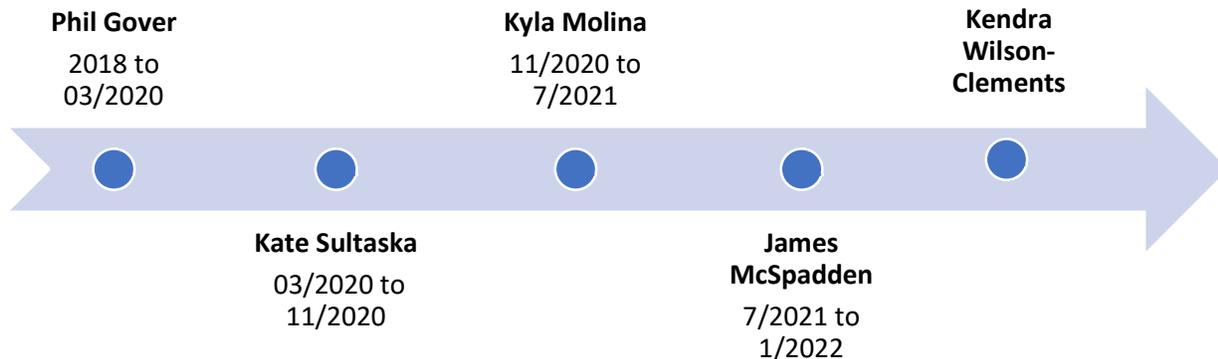
Sovereign has recently begun the process of filing claims for ESSER and ARP funds. We anticipate that claims for ESSER II and IDEA funds will be submitted within the next few weeks.

6. The constant turnover of board members is directly impacting the ability of the board to govern the school.

As noted in the board audit, board turnover, especially in the Board President position, has negatively impacted SCS.

Since being put on probation in November 2020, SCS has had 4 board presidents. Because its governing board does not follow its by-laws, it did not elect a Vice-President in the last two years. When James McSpadden resigned as President on January 27, 2022, there was not a Vice-President to act as President until a new one could be elected by the board. Rather than call a special meeting, the SCS waited until its regular meeting on March 10, 2022, to elect a new president. Kendra Wilson-Clements is a business consultant with a background in finance and experience serving on non-profit boards. She joined the SCS board in January 2021.

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Other board members include

- Joseph Blanchard (appointed January 2021)
- Victoria Redbird (appointed September 2021)
- Kyla Molina (2018 founding member, however, has missed more than 4 meetings in FY22)
- Glen Schoenhals (appointed July 2021)
- Travis Long (appointed July 2021)
- David Wilson (appointed on March 10, 2022)

Sovereign Community School Response

As previously mentioned, we agree that board instability has had a negative impact on the school. As Board President my commitment to address and prioritize the ongoing concerns are as follows:

- Further assess the current board's needs and gaps
- Immediately identify resources to conduct financial training for board members
- Immediately develop and implement board strategy, policies, processes, and procedures for board member selection, onboarding, training, and retention
- Andy Evans presented his findings to the SCS board during the March, 2022 meeting. He indicated we had some cleaning up/corrections to do and with the help of the Public School Resource Center and our new consultants he was confident we could make the necessary changes.

3. Ensure the timely and uniform reporting of actual costs and expenditures to the OSDE Office of School Personnel Records. Due: immediately.

Although SCS submitted its Accreditation application, School Personnel Report, and Flex Benefit Report on time this year, the data submitted was incorrect and is still incorrect as of March 11, 2022. SCS only has 14 employees in total, yet the reports are riddled with errors. Examples of mistake include the following:

Sovereign Community School Response

- We are currently working on correcting the coding issues noted in the School Personnel Report. We anticipate this will be corrected before the OSDE board meeting on March 24, 2022.

Employees are listed with OCAS codes that do not exist.

Four employees are listed in OCAS reports but are not found in School Personnel Records.

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Sovereign Community School Response

- On Tuesday, March 15th we identified the correct job codes based on job duties. Once job codes are amended in MAS, SPR will be fixed and resubmitted. This could be done before the board meeting.

Most of the support staff is coded as “Records Clerk”

The salaries and benefits listed in School Personnel Records do not match the encumbrances for those employees in OCAS.

Over the prior 1-2 years, OSDE has provided SCS with multiple hours of training plus OSDE staff is available to answer questions and provide technical assistance.

SCS’s board reviewed and voted to acknowledge the FY20 audit in spring 2021. For school districts that receive deficiencies from the auditor, SDE’s audit team does a Risk Assessment and requires the district to submit corrective action plans. SCS submitted corrective action plans on time.

Sovereign Community School Response

- We respectfully request clarification on this point as Section 1 above conflicts with what is stated here.

In its review, the OSDE Audit Review team found significant reporting errors. The auditor did not receive information on the OTRS debt which was \$57,615, and thus, it was not included.

Sovereign Community School Response

- We have successfully corrected and addressed this matter from FY20.

Additionally SCS transferred \$28,046 from its Student Activity Fund to hide a General Fund deficit of \$7,234. Student Activity Funds are funds raised and/or donated for the specific purpose of the subaccount in which the funds are deposited. It is not allowable to transfer designated Student funds to the General Fund.

Sovereign Community School Response

- This item was on the regular board meeting agenda on May 7, 2020. It was acknowledged by the board that the incorrect deposit slip was used. Once this was discovered, the SCS board took corrective action.
- We recognize that SAF monies are not allowed for General Fund expenditures. Accordingly, how should we treat this oversight? We can repay the amount due to the SAF from the General Fund during FY2022. However, we need guidance on this matter because it will prompt an edit check error in our OCAS reporting for FY2022. How should we proceed?

The FY20 audit showed SCS with a carryover balance of \$20,812 when in fact, the actual balance was (\$64,849). OSDE. has requested that the auditor issue a corrected FY20 audit report.

For FY21, SCS’s carryover is (\$252,350) because SCS failed to make any payments on its \$300,000 loan from SCS Development.

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4. Timely reporting and work with OSDE to ensure work is done. Due: immediately.

While SCS has improved reporting to OSDE on time except for financial reports, its report continues to be filled with incorrect data, missing information, and other deficiencies.

Sovereign Community School Response

- Incorrect data, missing information and deficiencies are assumptions that can be corrected easily. We have shown that many of them have already been corrected in a relatively short time. We have no reason to doubt that we can't continue to make the necessary improvements for timely reporting.

Its First Quarter Statistical Report which tracks student attendance failed to include transportation data. Enrollment data was inaccurate. It is in the process of being audited as SCS did not note which students were attending virtually rather than attending in-person classes.

SCS board approved the Estimate of Needs on Sept. 27, 2021, but it was not uploaded until October 8, 2021 (Deadline: October 1)

FY21 OCAS data submitted and certified on time, however, errors have been found in several areas including improper flex benefits awarded to employees who did not qualify

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.

The State Board assigned SCS's Accreditation Status to "Accredited with Probation." In addition to areas already covered in this report, the FY22 Accreditation Annual Compliance Review is likely to recommend deficiencies, or at least a warning, for the following unless immediate corrective action is taken

- All mandated reports not submitted to the State Department of Education in a timely manner (missed deadline for First Quarter Statistical Report.

Sovereign Community School Response

- This was due 12/1/21, information was finalized 12/9/21- the reporting period ends 12/17/21
- Currently being audited for incorrect data)
- The Superintendent, treasurer and all encumbrance clerks are not bonded properly (bonded a board member as treasurer)

Sovereign Community School Response

- David Harp has contacted a local insurance agency concerning the surety bonds. All required positions will be bonded for the statutory amounts in the near future.

- The charter school is not in compliance with the requirements for Payment of Additional Salary in Lieu of Employee Insurance (Flex Benefit Report contains errors)

Sovereign Community School Response

- According to David Harp, we need more information.

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- Special Education: This school is not in compliance with IDEA (Excess Cost Penalty of \$139,000 for FY21)
- The school is not in compliance with all applicable requirements as it pertains to OCAS (audit in process; errors in data submitted)

Sovereign Community School Response

- Per David Harp, we need more information.

8. Prioritize and expedite prior conditions, including:
- Obtain an independent financial audit, to be conducted immediately and reported on
 - Financial reports. To be provided to OSDE/OSBE on a bi-weekly basis.
 - Board Meetings: Bi-weekly meeting recommended.
 - 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
 - Compliance with applicable rules, regulations, and policies. Due: immediately
 - 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.

FY20 audit is being corrected. FY21 audit is in the audit of being conducted. Based on a review of SCS financial documentation, OSDE expects the audit report to have significant findings and deficiencies including lack of internal controls; lack of compliance with purchasing statutes; problems with surety bonds for Treasurer and Encumbrance Clerk; and concerns about the negative impact of debt and inability to repay.

Sovereign Community School Response

It is our assumption of good practice that SDE would wait until the independent audit is completed before anticipating what will happen and presenting speculation to the state board?

Financial reports are now up to date.

Board meetings have been irregular. SCS stopped having bi-weekly board meetings in September 2021. The board went from December 9, 2021, to March 10, 2022, without have a complete board meeting. It had a board meeting for about 10 minutes in which all business was deferred including electing a new board president.

Sovereign Community School Response

Board Governance has been previously addressed and is a committed priority.

SCS has not provided a report on its debts and repayment plans for its two major debts: \$250,000 to SFS Development (\$58k was paid in February 2022) and \$150k to Chickasaw Community Bank

Compliance with applicable laws, regulations, and policies has not been consistent.

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- In September 2021, the SCS board approved changes to the SCS Student Handbook in violation of the Oklahoma Charter Act and other statutes. It amended its admission policy to include admission interviews and behavior contracts for those students with prior offenses. It provided credit for internships, testing to obtain course credit, and other ways to obtain course credit which are not allowable by state law and would be a breach of the sponsorship contract

Sovereign Community School Response

- This may be a download of an incorrect handbook draft to the website. We will investigate and correct.
- SCS also committed a major breach of contract and violated state law by implementing a 100% Virtual Learning program this year. Its board approved the Virtual program that had no in-person learning, and no required time spent on campus in September 2021. OSDE received notice that the program was being posted on Facebook and SCS's website.

On September 24, 2021, during an in-person meeting with Dr. Dusty Delso, Stacie Thrasher, Brad Clark, and Rebecca Budd, Dr. Delso denied offering 100% virtual option for students. He and Stacie were told directly by General Counsel Brad Clark that this was a breach of the contract and against state law. Dr. Delso explained that there were 2 students in 100% Virtual Learning because of their 504/IEP.

Last month OSDE learned that SCS enrolled 22 students in 100% Virtual Learning despite denying having the program. Many of those student students were enrolled after the September 24, 2021, meeting despite receiving a direct verbal warning that SCS's action were not legal and would be a breach of its sponsorship contract. When asked why SCS continued its 100% Virtual Program in spite of OSDE direction, Dr. Delso accepted responsibility for continuing the program. SCS has notified all students and their families that the program has been terminated and all students will either return to in-person learning after Spring Break, return to their home district, or transfer to a 100% Virtual Charter School. As a final note, despite making projections that its enrollment would continue to escalate year over year (thereby increasing funding and sustainability), after subtracting the virtual students from enrollment, SCS's enrollment would have been less than the prior year.

Sovereign Community School Response

Many of our families had major concerns about in-person classes as the pandemic continued and wished to receive virtual instruction. All but two of the students enrolled as virtual had previously attended Sovereign as in-person students. Many of the virtual students are on IEPs and 504 plans and we are modifying the plans as needed to accommodate their least restrictive environment.. We ended virtual instruction on March 22, 2023 requiring all students remaining at Sovereign to return to in-person instruction. We will know what our current in-person enrollment is on March 22, 2023.

Summation by Superintendent Delso

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Satisfying the terms of our probation and producing/locating all the requests of the SDE while running the day to day operations at Sovereign is an ambitious task. We've experienced challenges but we are making progress. We received the draft of the quarterly report from the SDE Tuesday evening, March 15, 2022. The SDE wanted our response and comment by the close of business Thursday, March 17, 2022. Our responses and comments were compiled and prepared in less than 48 hours. This required enormous effort and coordination over spring break and our attorney was unavailable to attend our planning meeting which makes us more than uncomfortable. Requesting a response in 2 days on a document that may be used to recommend the closure of a public charter school representing and serving over 30 federally recognized tribes borders on the absurd.

Students come first at Sovereign. Our population is 95% Indigenous/Native American. We serve the most underserved, poorest performing population in public education. Sovereign students engage in a culturally rich, academically rigorous Indigenous experience lead by experts in Indigenous culture. We know of no public school in Oklahoma teaching the Indigenous culture in their formal curriculum to the degree experience at Sovereign.

In addition to five solid academic courses daily, Sovereign students experience two courses daily dedicated exclusively to Indigenous culture, language, and fine arts. All students have a chromebook and an unlimited coursework subscription to the state approved Acellus learning platform greatly assisting student access and distance learning formats. This is why Sovereign is a critical/necessary component of the Oklahoma public school system. Typical Oklahoma schools do not provide what Sovereign does.

Sovereign has an on campus family counselor provided by Oklahoma City Indian Clinic. She meets with students and families two days per week and we are experiencing excellent results. We are approved for a family counselor and staff five days per week during the 2022-2023 school year.

Our students are making academic progress. The Oklahoma state testing scores in the spring of 2021 placed Sovereign at the 5th percentile in all academic areas tested. Our NWEA (northwest evaluation association) testing in the fall of 2021 indicate our middle school composite percentile scores were the following:

math - 19, language - 29, reading - 33.

Our high school fall 2021 percentile scores are:

math - 27, language - 40, reading - 42.

These scores indicate our students are well above the 5th percentile. The SDE requested copies of our score which we sent. they did not include the scores in their report.

We were asked by the state board in June of 2021 to secure financial stability and gain tribal support. We have clearly demonstrated growth in these areas. Give us until July and with the help we have secured, we'll show you excellent improvement. We are in no way worse now than we were in April, 2021.

We ask that you carefully consider the work we have achieved, actions we have taken, and commitments we have and continue to make to get the business of our school compliant, stable, in order, and sustainable.

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We are hopeful this addresses your concerns, answers your questions, and provides clarity around the issues of concern.

We believe we have demonstrated considerable action to turn around deficiencies and are on a path to success. We are hopeful OSDE and OSBE collectively can support our efforts in this journey .

Thank you again for your time, review and consideration.

Kendra Wilson-Clements
Board President, Sovereign Community School