



**RESPONSE TO INITIAL CSAC RENEWAL REPORT**  
**November 22, 2019**

**ACADEMIC PERFORMANCE**

**1. A timeline for completed goal-setting forms for the 2019 – 2020 school year.**

All 2019-2020 goal-setting forms for Deans (building-level administrators) have been submitted in Data Service Center, discussed in conferences, and marked as reviewed by Head of School. The Head of School is evaluated through DPAS-II for Administrators. A board member is being trained by DOE on 11/22/19 and will confer with the Head of School to complete goal-setting forms by 12/19/19.

**2. Educational Program: See Appendix 1 for review notes from DOE’s Curriculum Instruction and Professional Development workgroup.**

Requested curricular materials are available in Schoology using the previously provided access code.

**ORGANIZATIONAL PERFORMANCE**

**1. A draft of the language, as of the response date, of the then by-law related conditions imposed on the school due to the school’s probationary status.**

Attached is a draft version of the proposed, amended OCS By-laws, which cross-references the conditions imposed by the Secretary. This version has been developed by the By-law Subcommittee of the Compliance Committee, both of which are comprised of Board members, teachers, and parents. The proposed changes were unanimously approved by the By-law Subcommittee and the Compliance Committee for recommendation to the Board. The proposed amendments were also circulated to representatives of the DOE, who provided comments, which are reflected in the current draft. In accordance with the current By-laws, notice of the proposed amendments was provided to the Board on November 18, 2019, which triggered the 30-day window prior to a vote.

**2. Progress update on all additional conditions.**

Please allow the below to act as an update as to each of the additional conditions:

Condition 2: This condition was assigned to the Finance Subcommittee of the Compliance Committee and a resolution is expected to occur in 2020. Informal discussions are on-going with a representative of Ithaca Early Learning Center, Inc. regarding repayment to be resolved in 2020.



Condition 3: As of the date of this response, OCS understands that the investigatory audit will conclude by December 15, 2019. OCS is cooperating with the independent audit firm and has provided all requested documentation. Auditors have been on site for this past week, starting Monday, November 18, 2019, reviewing files and all supporting documentation.

Condition 4: OCS is working with the Delaware Alliance for Nonprofit Advancement (“DANA”) to develop a process to utilize focus groups made up of members of the OCS community to gain valuable feedback from constituents on various topics of interest. OCS has engaged with a public relations firm for a number of months to develop messaging to the school and broader community. OCS has also developed quarterly town hall-type meetings to provide another forum for discussion with the school community.

Condition 5: OCS and the CBOC have implemented procedures to allow the CBOC and its members’ access to more detailed financial information at the school. For example, the CBOC has been able to review all P-Card activities. The CBOC will also implement a procedure to review all contracts over a set amount (i.e., all contracts over \$25,000) and to review the school’s procurement procedure. OCS has been and will continue to cooperate with the CBOC to increase the access to information.

Condition 6: Since the beginning of November, OCS Board members have met with DOE representatives on November 5 and November 13.

## **FINANCIAL PERFORMANCE**

### **1. A plan for addressing processes identified as the two material weaknesses in the audit (capital asset records and construction project management).**

#### **a. RESPONSE – CAPITAL ASSET RECORDS**

The OCS Business Office has been engaged in a restructuring process over the past 6 months to ensure it has the necessary bandwidth to support the H.R. and Finance operations of a \$27 million business, with some 250 employees. Although the purchases of the above-mentioned assets were recorded on a control spreadsheet, which was provided to the auditors, it was not recorded on a master capital asset spreadsheet capturing all the purchases and respective depreciations.

The school is implementing the following corrective actions to address the finding:

1. Use of a Capital Asset control template that will be provided by Barbacane Thornton **(received and implemented)**, and



2. Assign one of the Office's staff the responsibility of tracking capital expenditures and asset acquisitions on the spreadsheet so all asset purchases during the school's fiscal year are (a) accounted for, (b) reported, and (c) depreciated. As mentioned in the first CSAC hearing, **Karen Thorpe will manage the spreadsheet and ensuing reporting until the school hires a new Business Manager, to whom she will transfer the responsibility.**

b. RESPONSE - CONSTRUCTION PROJECT MANAGEMENT

The above finding has been at the forefront of OCS' new Administration this past year, as reported in the auditor's management letter for the SY 2018 audit. We agree with the expressed concerns, and administration proactively implemented a number of changes during the 2020 school year.

With that as a backdrop,

1. Over the past year, Administration has always had a project manager, in the person of the school's Campus Facilities Manager, who reviewed and approved all construction expenditures submitted by the general contractor(s). The Business Office further reconciled the invoices with supporting documentation prior to issuance of payment.
2. Administration implemented a multi-year retrofit planning process to ensure a holistic space design process that would allow for the implementation of a full bidding process in upcoming years. The School's senior leadership team completed this process in early March, after which it sought to establish a timely project management process that would ensure the completion of the summer retrofit of building #23 by Labor Day 2019.

This process was, knowingly, sub-optimal, and Administration obtained informal quotes after an internal baseline project budget was developed. We state that the process is sub-optimal because the project timeline would not have permitted for the creation of detailed architectural drawings needed to conduct a full RFP process in a timely manner. Although the approved General Contract agreement was on a Cost Plus basis, the sub-contractor agreements were on a not-to-exceed cost basis, subject to change orders originating from different potential sources (county and state compliance requirements, project findings, design oversights, etc.)

Continuous improvement milestones achieved during this period are:

1. Hands-on project oversight by school staff,



2. Obtaining partial and full Releases of Liens from the General Contractor and its sub-contractors,
3. Resolution of past, pending obligations with the school by a former contractor.

Looking ahead towards the SY 2020 retrofit of some 8,000 to 10,000 square feet in building #23, Administration has proactively initiated the design process so that it can engage Architect/Contractors to develop the required design documents and specifications necessary to implement a full RFP process for the project. This will allow the school to obtain multiple General Contractor bids, fully supported by detailed subcontractor bids, and is expected to be completed in the January timeframe so that a bid recommendation can occur no later than the school’s March Board meeting. This process should minimize potential overruns. In addition, we plan to have:

1. The Board validate the school’s construction policies and procedures, under the guidelines established by the state of Delaware, and by those used by other charter schools across the state.
2. The Board or designee(s) (e.g. a committee, or specific, duly approved Board members) approve any change order in excess of a stipulated amount and any projected overruns against the originally approved budget.
3. The individual assigned to document capital purchases (as described in our response to Finding 1 above), will also be responsible to accumulate all construction project-related costs in a defined cost-control template.
4. Retainages required as part of the final contract with the chosen General Contractor.

We believe that the above actions will strengthen the school’s construction project management in a way that reflects the resources available in the school’s facilities and business departments.

**2. An explanation of the \$3,300,000 that was identified in the 2018 audit as not being insured or collateralized.**

The above amount is part of a total balance of \$3,580,834.53 held at Zion Bank, as detailed below. Explanations follow below.

Zions Bank – Debt Service	\$2,817,917.45
Zions Bank – Repair and Replacement	\$ 362,917.08
Zions Bank – Supplementary Reserve	<u>\$ 400,000.00</u>
Total -	\$3,580,834.53



Zions Bank, the bondholder trustee, as stipulated in the Bond placement documents, holds these funds in reserve. The debt service reserve ensures that the school has the funds to honor an additional year of debt service should something affect its short-term ability to make such payment. The repair and replacement reserve and the supplementary reserve can be released to the school, on an as need basis, but only with the authorization of the bondholders.

FDIC insurance does not cover the funds, as stated in the 2018 audit. However, they are in a Fidelity U.S. Government money market fund, minimizing the institutional risk since the investments are neither Zions Bank nor Fidelity products. In addition, this type of fund is the most liquid of assets.

Odyssey does not have any investment decision-making authority over these funds.

- 3. A copy of the investigatory audit, if completed within the CSAC timeline. If not completed during the CSAC timeline, the results will be shared with the Secretary of Education and the State Board of Education before any decisions are made.**

Currently, the investigatory audit is on-going, as described in the response to Condition 3, in the Organizational Performance section of this document.