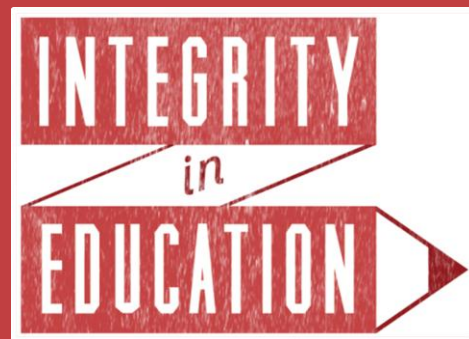


# Charter School Vulnerabilities To Waste, Fraud, And Abuse

May 2014



A Report From



# Charter School Vulnerabilities To Waste, Fraud, And Abuse

A Report From  
The Center for Popular Democracy  
&  
Integrity in Education  
May 2014

**The Center for Popular Democracy** is a nonprofit organization that promotes equity, opportunity, and a dynamic democracy in partnership with innovative base-building organizations, organizing networks and alliances, and progressive unions across the country.

**Integrity in Education** is a nonprofit organization dedicated to restoring integrity in education. Integrity in Education exists to shine a light on the people making a positive difference for children, and to expose and oppose the corporate interest groups standing in their way.

This report is available at [www.integrityineducation.org](http://www.integrityineducation.org) and [www.populardemocracy.org](http://www.populardemocracy.org).

## Preamble

The title of this report, *Charter School Vulnerabilities To Waste, Fraud, And Abuse*, was borrowed from the title of a section of a report that appeared in The Department of Education's Office of the Inspector General's *Semiannual Report to Congress, No. 60*.<sup>1</sup> The report references a memorandum issued by the OIG to the Department. The OIG stated that the purpose of the memorandum was to, "alert you of our concern about vulnerabilities in the oversight of charter schools."<sup>2</sup> The report went on to state that the OIG had experienced, "a steady increase in the number of charter school complaints" and that state level agencies were failing "to provide adequate oversight needed to ensure that Federal funds [were] properly used and accounted for."<sup>3</sup>

The purpose of this report is to echo the warning issued by the OIG and to inform the public and lawmakers of the mounting risk that an inadequately regulated charter industry presents to our communities and taxpayers. Our examination, which focused on 15 large charter markets\*, found fraud, waste, and abuse cases totaling over \$100 million in losses to taxpayers.† Despite rapid growth in the charter school industry, no agency, federal or state, has been given the resources to properly oversee it.<sup>4</sup> Given this inadequate oversight, we worry that the fraud and mismanagement that has been uncovered thus far might be just the tip of the iceberg. Our hope is that lawmakers will use the information and concrete recommendations that we outline in this report to pass meaningful oversight legislation.

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\*\* States examined: AZ, CA, CO, DC, FL, HI, IL, LA, MN, NJ, NY, OH, PA, TX, and WI.

† \$100 million includes: 1) \$51,146,094.65, federal prosecution of charter official/staff completed. 2) \$33,400,000, state agency audit finds violation of federal law by charter official/staff. 3) \$30,575,143.76, state agency audit finds violation of state law by charter official/staff. 4) \$1,161,887.93, state agency audit finds violation of federal and state law by charter official/staff. 5) \$19,550,489, charter official/staff is indicted by a federal grand jury. 6) \$150,000, charter official/staff criminal prosecution in progress. 7) \$20,000, charter official/staff is arrested and admitted to fraud. Total: \$136,003,615.34.

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## Introduction

Minnesota passed the first charter school law in 1991.<sup>5</sup> Since then, lawmakers in 41 states and the District of Columbia have written their own charter school laws.<sup>6</sup> By all accounts, the growth of the charter industry has been astronomic. Charter enrollment has doubled three times since 2000; it doubled from 2000 to 2004, and again from 2004 to 2008, and again from 2008 to 2014.<sup>7</sup> Just last year, over 600 new charter schools opened and an estimated 288,000 additional students enrolled in charter schools. Today, there are an estimated 6,400 charter schools enrolling over 2.5 million students.<sup>8</sup>

To understand why there are so many problems in the charter industry, one must understand the original purpose of charter schools. Lawmakers created charter schools to allow educators to explore new methods and models of teaching. To allow this to happen, they exempted the schools from the vast majority of regulations governing the traditional public school system. The goal was to incubate innovations that could then be used to improve public schools.<sup>9</sup> The ability to take calculated risks with small populations of willing teachers, parents, and students was the original design. With so few people and schools involved, the risk to participants and the public was relatively low.

But today, as the charter sector grows far faster than originally envisioned, the risks are high and growing, while the benefits are less clear. Even relatively pro-charter organizations like the Center On Reinventing Public Education recognize that the regulatory foundation upon which the charter industry was built began from a place of insufficiency. In their analysis of charter oversight law, they found that “only minimal attention was paid to the question of how to oversee these new schools; frequently governments delegated charter school authorization as a side task to offices already burdened with other activities.”<sup>10</sup> This is not an uncommon occurrence in our nation’s history. In the past — in some cases, our very recent past — industries such as banking have outgrown their regulatory safety nets. Without sufficient regulations to ensure true public accountability, incompetent and/or unethical individuals and firms can (and have) inflict great harm on communities.

This report will bring into focus some of the consequences of having inadequate charter regulations. We focus on just one symptom – the growing problem of fraud, waste, and abuse perpetrated by some charter school operators. The problem is pervasive; our search, despite being limited to fewer than half of the states with charter schools, found over \$100 million in public tax funds lost to waste, fraud, and abuse.

## The Growing Issue of Charter Operator Fraud and Mismanagement

Our research reveals that charter operator fraud and mismanagement is endemic to the vast majority of states that have passed a charter school law. Drawing upon court cases, media investigations, regulatory findings, audits, and other sources, this report contains a significant portion of known fraud and mismanagement cases. We found, as stated in the introduction, that at least \$100 million in public tax dollars has been lost

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due to fraud, waste, and abuse. These instances of fraud and mismanagement, which are catalogued in appendixes A-F, fall into six basic categories:

- Charter operators using public funds illegally for personal gain;
- School revenue used to illegally support other charter operator businesses;
- Mismanagement that puts children in actual or potential danger;
- Charters illegally requesting public dollars for services not provided;
- Charter operators illegally inflating enrollment to boost revenues; and,
- Charter operators mismanaging public funds and schools.

### Charter Operators Using Public Funds Illegally For Personal Gain

The most pervasive type of charter fraud and mismanagement that we found in our survey is the illegal practice of charter operators using public funds for personal gain. Examples include:

- Masai Skiefs, former CEO of the Harambee Institute of Science Technology Charter School in Pennsylvania, who pled guilty to stealing \$88,000 for various purposes, including a down payment on a house;<sup>11</sup>
- William and Shirley Pierce, former operators of Right Step Academy Charter School in Minnesota, who were sentenced to 37 and 30 months in federal prison, respectively, for using public dollars for a Caribbean cruise vacation, \$17,561.87 to pay off personal credit card debt, and \$11,125.00 to purchase season tickets to the Minnesota Timberwolves<sup>12</sup>, among other things;
- Joel Pourier, former CEO of Oh Day Aki Heart Charter School in Minnesota, who embezzled \$1.38 million from 2003 to 2008. He used the money on houses, cars, and trips to strip clubs. Meanwhile, according to an article in the Minneapolis Star Tribune, the school “lacked funds for field trips, supplies, computers and textbooks.”<sup>13</sup> A judge sentenced Mr. Pourier to 10 years in prison.<sup>14</sup> Given the number of years, and the severity of the fraud, over a million dollars might have been saved had there been adequate charter oversight.

**“The theft of resources from Michigan’s children will not be tolerated,” said Schuette. “We must root out corruption at all levels of government to ensure the public is served. Nobody will get a free pass when they break the law.”**

– Michigan Attorney General Bill Schuette, after charging the former treasurer of the George Washington Carver Academy Charter School with felony embezzlement.

To prevent this type of fraud from occurring, there are a number of steps lawmakers can take. For example, charter school governing boards should be required to include representation from the school’s educators and parents, and relatives of school administrators or anyone associated with a charter management company should be barred from serving on a school’s governing board. Schools should also be required to have internal financial controls that are considered best practices in non-profit management, to

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insure internal oversight of expenditures. Local or state charter school authorizers should be funded and required to ensure that these controls are in place.

Appendix A of this report includes excerpts from source documents which detail the various ways charter operators have used charter funds for personal gain.

### School Revenue Used To Illegally Support Other Charter Operator Businesses

We found a number of cases where charter operators were caught using public funds to illegally support their own personal businesses. For example, in 2012, the former CEO and founder of the New Media Technology Charter School in Philadelphia was sentenced to prison for stealing \$522,000 in taxpayer money to prop up a restaurant, a health food store, and a private school.<sup>15</sup> In Florida, the former director of Life Skills Center Charter School, John Wyche, was sentenced in 2011 to serve more than six years in prison for misusing more than \$750,000 in state education monies to sustain a failing apartment complex that he owned.<sup>16</sup>

With increased transparency and tighter regulations governing self-dealing, much of this type of operator fraud can be prevented. Appendix B of this report includes excerpts from source documents which detail the various ways charter operators have used charter school revenue to illegally support their other personal businesses.

### Mismanagement That Puts Children In Actual or Potential Danger

Less prevalent, but perhaps more concerning than the other mismanagement we found, were a number of cases where children were put in potential or actual danger due to charter operator mismanagement. Many of the cases involved charter schools neglecting to ensure a safe environment for their students. For example, Ohio's State Superintendent of Public Instruction, Dr. Richard A. Ross, was forced to



shut down two charter schools, The Talented Tenth Leadership Academy for Boys Charter School and The Talented Tenth Leadership Academy for Girls Charter School, because, according to Ross, "They did not ensure the safety of the students, they did not adequately feed the students, they did not accurately track the students and they were not educating the students well. It is unacceptable and intolerable that a sponsor and school would do such a poor job. It is an educational travesty."<sup>17</sup>

Another situation occurred at the Paterson Charter School in New Jersey. An investigation conducted by the Department of Education found that more than 75 percent of the school's employees had not undergone the required criminal background checks.<sup>18</sup> Similarly, the Department of Education found that the Mercer Arts Charter High School, also in New Jersey, was not providing a safe and orderly education environment for its students.<sup>19</sup>

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Across the country in California, the San Diego Unified School District found a similar problem. The District cited the A. Phillip Randolph Leadership Academy Charter School for “not adequately supervising students.”<sup>20</sup>

Charter oversight rules that inoculate against these types of mismanagement cases are sorely needed. As is discussed in the ‘recommendations’ section of this report, we believe there is a need to task and fund a dedicated state-level charter school and charter authorizer oversight office that employs investigators in a ratio of 1 investigator to 10 charter schools. Especially in situations where student safety is concerned, setting up a system of preventive monitoring is key. When investigators are appropriately staffed, they can catch problems before they turn into casualties. Appendix C of this report includes excerpts from source documents which detail the various ways charter operators have put children in real or potential danger.



### Charters Illegally Requesting Public Dollars For Services Not Provided

Where there is little oversight, and lots of public dollars available, there are incentives for ethically challenged charter operators to charge for services that were never provided. A particularly egregious example comes from the operator of the Cato School of Reason Charter School (Cato) in California. According to an investigation conducted by the California State

Auditor, Cato registered and collected millions of taxpayer dollars for students who were actually attending private schools.<sup>21</sup> Another example comes from New Jersey. State officials shut down the Regional Experiential Academic Charter High School after the state found, according to report in the *New York Times*, “a wide range of problems, including failure to provide special education students with the services required by state and federal law.”<sup>22</sup> In Minnesota, as was reported in the *Star Tribune*, the superintendent of the Community School of Excellence Charter School “improperly directed staff members to enter or have students enter lunch codes for meals that were not eaten.”<sup>23</sup>

As is the case with the other types of fraud, this type of fraud could be prevented with increased transparency, monitoring of services and regular public reporting. Appendix D of this report includes excerpts from source documents which detail the various ways charter operators illegally requested public dollars for services that they did not provide.

### Charter Operators Illegally Inflating Enrollment To Boost Revenues

Tens of millions of dollars have been lost due to charter operators illegally inflating their enrollment figures. For example, an independent auditor's report of Success Academy Charter School in Minnesota found that \$608,000 was owed to taxpayers because they overstated their enrollment.<sup>24</sup> Another example comes from Florida, where an investigation by school district officials found that Life Skills Center charter school charged the state \$101,000 for students it didn't have.<sup>25</sup> In California, an audit of the Oak Hills Charter

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School by the Fiscal Crisis and Management Assistance Team, a state agency, could not find evidence that a number of students existed.<sup>26</sup> In Pennsylvania, as reported in the Philadelphia Inquirer, “Curtis Andrews, chief executive of the now-defunct Center for Economics and Law Charter School in Southwest Philadelphia, was sentenced in 2006 to 33 months in federal prison for defrauding the school district of \$206,554 by devising a scheme to inflate student enrollment. He agreed to make full restitution as part of his guilty plea.”<sup>27</sup>

Charter schools should be required to submit monthly enrollment numbers, both to prevent this type of inflation, but also to ensure that adequate funding is being provided—or moved if students exit the school. The governing board should approve these enrollment reports and any irregularities should be immediately reported to authorizers. Governing boards should be held accountable for the accuracy of reports. Without regular audits, it is very likely operators will continue to illegally inflate their enrollment. Appendix E of this report includes excerpts from source documents that detail various cases of charter operator’s illegally inflating their enrollment.

### Charter Operators Mismanaging Public Funds and Schools

Operating a charter school requires sophisticated knowledge of both education pedagogy and nonprofit management. Unfortunately, states have yet to pass laws that would guarantee that charter officers and administrators have the skills necessary to successfully run such institutions. As a result, operators who fail to run their schools successfully have wasted or even lost millions of taxpayer dollars. Various forms of mismanagement have led to charters failing, the most common being operators who fail to set sound business practices or hire trained financial controllers. Examples include:

**“This is a heck of a mess... Closed or not, the leadership of this school must be held responsible, and the money must be returned to the people of Ohio.”**

–Ohio Auditor of State Dave Yost, speaking about nearly \$3 million in unsubstantiated expenses amassed by the Weems Charter School.

- ABC Charter Middle School in California. An audit by the Los Angeles Unified School District found that “the lack of oversight by both the school’s management and board members led to significant control weaknesses in cash management, payroll, and financial accounting and reporting.”<sup>28</sup>
- Sunshine Academy Charter School in Florida. As reported in the Miami Herald, Broward County prosecutors found that, “the record keeping at the school and oversight of the school by the board of directors was virtually nonexistent...[and that] the school appears to have been poorly run.”<sup>29</sup>

In order to avoid more losses to taxpayers, lawmakers must pass laws that establish some professional qualifications or standards for charter operators and officers.

Appendix F of this report includes excerpts from source documents that detail various cases where charter operators ran their schools poorly, which resulted in taxpayer money being lost.

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## Increased Recognition of the Need for Greater Charter Accountability & Oversight

Currently, both supporters and detractors of charters agree that something must be done to improve charter oversight. Even the Walton Family Foundation, an avid charter advocate, launched a \$5 million campaign in 2012 to make oversight of charter schools more stringent.<sup>30</sup> While most states have failed to act, a few regulators and lawmakers have.

In Minnesota, the birthplace of the charter industry, lawmakers passed a new charter accountability law in 2009. This was a response to a growing consensus, as a recent article in the Twin City Pioneer Press put it, “that Minnesota had too many charter monitors, themselves subject to not enough monitoring. Some were way too eager to sign off on new schools – and too reluctant to close ones that did not deliver.” In 2013, after several charter operators were caught stealing public funds, Hawaii’s state legislature repealed their charter school law and passed a new law that mandated that the state’s 33 charter schools sign an annual contract with the charter school commission to hold them accountable in three major areas: finances, organization and academics.<sup>31</sup> In April of 2014, Ohio State Senator Schiavoni and House Representative Carney introduced legislation designed to increase transparency and accountability for public records and taxpayer dollars. The bill was in response to an Akron Beacon Journal investigative report which revealed that over 100 charter schools contacted by the paper failed or refused to provide even basic information including school board contact information or board meeting schedules.<sup>32</sup> Similarly, several charter reform bills were introduced in Illinois during the 2014 legislative session.<sup>33</sup>

The federal judiciary and state regulators are also sounding the alarm for improved charter oversight. In 2009, following the sentencing of a charter school operator to more than three years in prison for plundering its coffers, a federal judge called for more scrupulous government oversight of taxpayer-funded charters so “this type of criminal activity is not allowed to be repeated.”<sup>34</sup> Five years after the Pennsylvania federal court judge made that point, Pennsylvania’s Auditor General Eugene DePasquale held a series of public meetings to explore ways to improve accountability, effectiveness and transparency of charter schools.<sup>35</sup> In 2010, the Utah Office of the Legislative Auditor General found lapses in the financial reporting processes of several charter schools and called for better fiscal policies and enforcement by the State Charter School Board.<sup>36</sup>

The Federal Department of Education’s Office of Inspector General (OIG) has also recognized the need for improved charter oversight, as referenced earlier. In their fiscal year 2014 report on *Management Challenges*, the Department specifically highlights the problem of “fraud perpetrated by charter school officials, and internal control weaknesses in the Department’s oversight processes.” In other words, the OIG acknowledges that they have yet to come up with an effective mechanism to disrupt the high level of fraud being perpetrated by charter operators.<sup>37</sup> Yet even with the few regulatory tools available to them, between January 2005 through September 30, 2013 the OIG opened 62 charter school investigations, resulting in 40 indictments and 26 convictions of charter school officials.<sup>38</sup>

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Still, most states do not have comprehensive laws that can deter charter operators from engaging in fraud and mismanagement *before* they harm students and taxpayers. Our analysis of these fifteen states suggests that fraud and mismanagement continues, and that adequate regulation and oversight remains elusive.

## Charter Oversight Recommendations

In order to provide lawmakers with concrete steps they can take to address this problem, we are providing the following recommendations. If implemented, states will have the resources, structure, and the authority they need to effectively monitor their charter schools and their respective charter authorizers. Until these recommendations are passed into law, state lawmakers should halt the establishment of new charter schools and cap charter enrollment.

### Oversight

- **Establish an Office Dedicated to Charters:** All states should task and fund an Office of Charter Schools ('Charter Office' or 'Office') to provide oversight of performance and effectiveness of all charter schools and charter authorizers.
    - ✓ **Authority to Prevent & Catch Bad Actors:** The Charter Office should have the statutory responsibility, authority, and resources to investigate fraud, waste, mismanagement and misconduct. This includes the authority to refer findings to the district attorney with jurisdiction or to the Office of the Attorney General or to any other appropriate law enforcement agency for prosecution if the Office discovers or receives information about possible violations of law by any person affiliated with or employed by a charter authorizing entity or charter school entity.
    - ✓ **Adequate Resources:** The Charter Office must have an appropriate level of staffing to fulfill their mission. The ratio of charter schools to full-time investigators employed by the Office should not exceed ten to one.
    - ✓ **Payment Authority:** The Charter Office should have the power to put a hold on the distribution of funds to the charter authorizing entity or charter school entity.
    - ✓ **Authority to Initiate Corrective Action:** The Office should have the power to affirm, reverse or otherwise adjust charter grants, renewal or amend decisions made by charter authorizing entities if charters entities are found to be in violation of state or federal law. The Office should also have the power to revoke the chartering authority of charter authorizers.
  - Require charter schools to be independently audited on an annual basis, with publication of such audits available online at the charter school's website;
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## Transparency

- Amend state charter law to explicitly declare that charter schools are public schools, and are subject to the same non-discrimination and transparency requirements as are other publicly funded schools;
  - Require that each charter school's original application and charter agreement be available to the public online, through the websites of both the individual school, and the charter authorizer;
  - A full list of each charter school's governing board members, officers, and administrators with affiliation and contact information, should be available on the school's website, as well as from the authorizer;
  - Require members of charter school governing boards, charter school administrators, charter school employees, as well as public officials to file full financial disclosure reports, as well as to report on any potential conflicts of interest, relationships with management companies or other business dealings with the school, its management company or other charter schools. These reports should be similar to or the same as the reporting requirements of traditional school district Board members. Make these documents available to the public online through the charter's authorizer;
  - Require minutes from charter school governing board meetings, the school's policies, and information about staff to be made available on the charter school's website;
  - Require charter schools to be fully compliant with state open meetings/open records laws, with compliance monitored by authorizers. Failure of schools to release documents pertaining to governing board meetings, school policy and data, or to allow members of the public to file formal freedom of information requests to obtain these documents must be swiftly addressed and corrected by the authorizer;
  - Charter school financial documents should be made available to the public annually, on the authorizer's website. These documents should include detailed information about the use of both public and private funds by the school and its management entities. These reports should include full disclosure of the sources of private funds, and the duration of commitments of private funds;
  - Require disclosure of all vendor or service contracts over \$25,000 and prohibit any vendor or service contracts to any entity in which the charter school operator or a member of the governing board has any personal interest.
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## Governance

- Require charter school governing boards to be elected, with representation of parents (elected by parents), teachers (elected by teachers) and in the case of high schools, students (elected by students). Non-parent/teacher/student members of the governing board should be required to be residents of the school district in which the school/s operate;
- Require charter school governing board members to live in a geography that is close in proximity to the school/s physical location;
- Hold members of a charter school governing board—like members of a publicly elected school board—legally liable for fraud or malfeasance occurring at the school or schools that they oversee;

## Conclusion

In its aforementioned “Charter School Vulnerabilities” memorandum, the Department of Education’s Office of the Inspector General stated that,

Charter schools generally operate as independent entities that are subject to oversight by a Local Education Entity (LEA) or authorized chartering agency. Our investigations have found, however, that LEAs or chartering agencies often fail to provide adequate oversight needed to ensure that Federal funds are properly used and accounted for.<sup>‡</sup> The type of fraud we identified generally involves embezzlement. The schemes that are used to accomplish this are varied. For example, we have found cases where charter school executives falsely increased their schools’ child count, thus increasing the funding levels from which to embezzle...We have also unraveled schemes where owners or employees of the charter schools created companies to which they diverted school funds and misused school credit cards for personal expenditures...We believe it is vitally important for the Department to take affirmative measures to ensure that State Education Agencies and LEAs provide adequate and appropriate oversight to charter schools that operate within their jurisdictions.<sup>§</sup>

We agree with the OIG’s assessment and believe their point that affirmative measures must be taken is especially important. Whether one uses the OIG’s assessment to support their case for charter oversight reform or the volume and variety of mismanagement and fraud cases that are delineated in this report, it is clear that the laws governing the charter industry are inadequate at preventing fraud and mismanagement. While some argue that the system is working, as evidenced by the large number of convictions, it is clear that the system is not working.

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<sup>‡</sup> Emphasis added

<sup>§</sup> Emphasis added

We should not have to wait until more students have been harmed, or millions more in taxpayer dollars are stolen or lost, before addressing this problem. Public officials must take a more proactive approach. This is especially urgent given that the fraud and mismanagement uncovered thus far has been the result of an unsystematic, reactive investigatory approach.<sup>40</sup> In other words, no agency, federal or state, has been given the resources to fully investigate the true depth of the problem, let alone prevent future problems.

Over 20 years of lax charter oversight, and the resulting fraud and mismanagement that has accompanied it, is all the proof we need that the charter industry is incapable of self-policing. While some authorizers and some charter organizations may be well run and offer strong accountability mechanisms, clearly others are not. The public deserves common-sense laws that protect their children and their tax dollars from incompetent or unscrupulous charter operators. The debate in our legislative halls should not be whether or not to regulate the industry, but how, and how soon.

## Appendix A

### Charter Operators Using Charter Funds for Personal Gain



#### Pennsylvania



#### PA Cyber Charter School

Nicholas Trombetta, founder of the Pennsylvania Cyber Charter School is accused of diverting funds from it for his private purchases. He allegedly bought houses, a Florida Condominium and a \$300,000 plane, hid income from the IRS, formed businesses that billed even though they had done no work, and took \$550,000 in kickbacks for a laptop computer contract.

Federal investigators pursued him for over

a year. An unsealed affidavit says that he siphoned off \$8 million in taxpayer funds for himself. Trombetta was indicted by a state grand jury on August 21, 2013 and faces up to 100 years in prison.

**Sources:** <http://www.post-gazette.com/news/education/2013/08/23/Feds-PA-Cyber-Charter-School-founder-Trombetta-schemed-to-steal-1-million/stories/201308230210>

[http://www.ellwoodcityledger.com/news/police\\_fire\\_courts/bags-of-cash-court-records-detail-allegations-against-trombetta/article\\_4b6ff790-0d6f-52f3-9ffe-58f371aabc3d.html](http://www.ellwoodcityledger.com/news/police_fire_courts/bags-of-cash-court-records-detail-allegations-against-trombetta/article_4b6ff790-0d6f-52f3-9ffe-58f371aabc3d.html)

#### Harambee Institute of Science Technology Charter School

Masai Skief plead guilty to two counts of wire fraud by which he embezzled \$88,000 from the Harambee Institute of Science Technology Charter School. The former chief executive of the school used the money for personal expenses, including a down-payment on a house. After pleading guilty, the U.S. Attorney's Office found that he continued to use the school's debit card, stealing an additional \$12,500. A U.S. District Judge sentenced him to 3 years in Federal prison on February 11, 2014.

**Sources:** [http://articles.philly.com/2014-01-12/news/46092814\\_1\\_plea-agreement-masai-skief-harambee-institute](http://articles.philly.com/2014-01-12/news/46092814_1_plea-agreement-masai-skief-harambee-institute)

[http://articles.philly.com/2014-02-12/news/47238840\\_1\\_harambee-institute-masai-skief-john-skief](http://articles.philly.com/2014-02-12/news/47238840_1_harambee-institute-masai-skief-john-skief)

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### Raising Horizons Quest Charter School

Two former administrators of Raising Horizons Quest Charter School pled guilty in U.S. District Court on October 22, 2008. They were charged with conspiracy and altering documents in 2006 to use \$14,000 of taxpayer money for personal use, including travel, alcohol and gasoline charges.

**Source:** [http://articles.philly.com/2008-10-23/news/24992166\\_1\\_grand-jury-documents-expenses](http://articles.philly.com/2008-10-23/news/24992166_1_grand-jury-documents-expenses)

### Khepera Charter School

When Philadelphia City Controller Alan Butkovitz conducted a 2010 audit of the city's schools, he encountered some surprising numbers. In one example, he noted Rhonda Sharif, who served as a financial officer of three charter schools at the same time, including Khepera Charter School, had billed the schools for a combined total of 463 work days in 2008 alone. That earned her a salary and consulting fees of \$183,000 plus over \$570,000 in travel and other expenses over a five-year period. Her husband's construction company happened to secure lucrative work at the schools Sharif runs.

**Source:** <http://www.vvdailynews.com/articles/trial-42605-charter-hearing.html>

### Philadelphia Academy Charter School

In 2009, Kevin O'Shea and Rosemary DiLacqua were charged with defrauding the Philadelphia Academy Charter School ("PACS"). DiLacqua, as PACS' board president, authorized the quick rise of O'Shea, who had no educational qualifications, from facilities manager for the school, to its CEO, earning \$200,000 when he resigned in May 2008.

The malfeasance included using approximately \$710,000 to buy a building with the aim of reselling it to another charter school for a \$1 million profit; demanding kickbacks from PACS vendors; using approximately \$145,000 to outfit offices for themselves with posh amenities including flat-screen televisions, executive bathrooms and granite countertops; submitting for reimbursement at least \$40,000 in fraudulent invoices for personal meals, entertainment, home improvements, and gas and telephone bills; billing approximately \$50,000 worth of home repairs to PACS; collecting approximately \$34,000 in rent from entities using PACS facilities, attempting to destroy computer evidence to obstruct the investigation against them, and filing a false tax return.

After concerned parents contacted the Philadelphia Inquirer, the case was investigated by the United States Department of Education - Office of Inspector General, the Federal Bureau of Investigation, and the Internal Revenue Service - Criminal Investigation Division.

Both O'Shea and DeLacqua have started prison sentences.

**Sources:** <http://www2.ed.gov/about/offices/list/oig/invtreports/pa072009.html>  
[http://articles.philly.com/2010-02-03/news/25219787\\_1\\_bureau-of-prisons-spokeswoman-medium-security-prison-mail-fraud](http://articles.philly.com/2010-02-03/news/25219787_1_bureau-of-prisons-spokeswoman-medium-security-prison-mail-fraud)

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## Agora Cyber Charter School

Dorothy June Brown, founder of Laboratory, Ad Prima, Planet Abacus, and Agora Cyber charter schools, will be retried beginning in September, 2014 for defrauding the schools of \$6.5 million and conspiring to conceal the fraud. A jury acquitted Brown of three charges in January and deadlocked on the other 54 charges. Two other administrators were acquitted of conspiracy and obstructing justice; another two pleaded guilty and testified against Brown in her first trial. Brown severed ties with Agora Cyber Charter in 2009 as part of the settlement of several civil suits.

**Sources:** [http://articles.philly.com/2014-04-15/news/49159242\\_1\\_dorothy-june-brown-agora-cyber-charter-ad-prima](http://articles.philly.com/2014-04-15/news/49159242_1_dorothy-june-brown-agora-cyber-charter-ad-prima)

[http://www.philly.com/philly/education/20140415\\_Retrial\\_set\\_in\\_charter\\_school\\_fraud\\_case.html](http://www.philly.com/philly/education/20140415_Retrial_set_in_charter_school_fraud_case.html)

<http://www.fbi.gov/philadelphia/press-releases/2012/charter-school-founder-dorothy-june-brown-charged-in-6-million-fraud-scheme>

## Minnesota



### Right Step Academy Charter School

The husband and wife owners of the former Right Step Academy charter school in St. Paul, Minnesota were sentenced to federal prison on March 24, 2006 after being convicted of fraud. After an investigation by officials from the IRS and U.S. Department of Education, William and Shirley Pierce were found guilty of defrauding their former school of thousands of dollars. It is estimated that coupled charged over \$357,625 to

the school and used the money for such personal expenses as a Caribbean cruise vacation and season tickets to the Minnesota Timberwolves.

**Source:** <http://www2.ed.gov/about/offices/list/oig/invtreports/mn052006.html>

### Oh Day Aki/Heart of the Earth Charter School

The former executive director of the Oh Day Aki/Heart of the Earth Charter School in Minnesota pleaded guilty to stealing over \$1 million from the school by forging signatures on dozens of checks. Joel Pourier embezzled the money from 2003 to 2008 and used the funds to pay for such extravagances as trips to strip clubs. At the same time, the charter school, founded to educate low-income American Indian youth, lacked appropriate funding for educational necessities such as textbooks and other supplies.

**Source:** <http://www.startribune.com/local/minneapolis/97951354.html>

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## New Jersey



### Capital Preparatory Charter School

The Capital Preparatory Charter School in Trenton, New Jersey forfeited its charter on May 2, 2011 in the wake of state Department of Education accusations of financial mismanagement. In addition to a staggering \$300,000 deficit, the DOE noted that the school paid \$10,000 for a staff trip to Atlantic City and \$5,600 on a staff party. Employees were allowed to overspend allotted travel funding, consultants were overpaid, and spending was inadequately documented.

#### Sources:

[http://www.nj.com/mercer/index.ssf/2011/05/capital\\_preparatory\\_under\\_inve.html](http://www.nj.com/mercer/index.ssf/2011/05/capital_preparatory_under_inve.html)

[http://www.nj.com/mercer/index.ssf/2011/09/once-promising\\_charter\\_schools.html](http://www.nj.com/mercer/index.ssf/2011/09/once-promising_charter_schools.html)

## Ohio



### Greater Achievement Community Charter School

An Ohio state audit found that administrators at the Greater Achievement Community Charter School egregiously mismanaged public funds, sometimes using money for personal expenses. Between 2003 and 2010, the auditors found that Greater Achievement developer Elijah Scott diverted over \$46,000 of public funds into his personal account. The school's financial records could not adequately account for excessive cash

withdrawals from ATMs and other sources and the school overall was found to have misspent at least \$570,000.

#### Source:

[http://www.cleveland.com/metro/index.ssf/2012/03/audit\\_finds\\_more\\_than\\_570000\\_i.html](http://www.cleveland.com/metro/index.ssf/2012/03/audit_finds_more_than_570000_i.html)

### Cincinnati College Preparatory Academy Charter School

After receiving an anonymous tip, the Ohio Auditor of State's office investigated the Cincinnati College Preparatory Academy Charter School and found that administrators stole at least \$148,000 of taxpayer money. Superintendent Dr. Lisa Hamm and school treasurer Stephanie Millard were indicted in March of 2013 on multiple criminal charges. The two are alleged to have used school funds to pay for things such as sightseeing tours through Europe, a \$20,000 tour of California, and a Chicago trip to a Tina Turner concert, all under the guise of visiting schools to identify best practices or for professional development.

**Source:** <http://www.wcpo.com/news/local-news/charter-school-officials-to-appear-in-court-for-allegedly-spending-148k-in-school-funds>

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### Theodore Roosevelt Public Community Charter School

Former superintendent Roger Conners of Theodore Roosevelt Public Community Charter School was fired in May of 2012 after questionable spending of school money surfaced. An audit from the school treasurer revealed that Conners submitted receipts for \$32,672 that involved inflated costs and illegal purchases. Among other ambiguous purchases, Conners submitted receipts for \$228 worth of cigarettes and beer.

**Sources:** [http://article.wn.com/view/2012/06/18/Thousands\\_in\\_receipts\\_questioned\\_in\\_school\\_firing/](http://article.wn.com/view/2012/06/18/Thousands_in_receipts_questioned_in_school_firing/)

<http://www.cincinnati.com/article/20120617/NEWS/306170084/Thousands-receipts-questioned-school-firing>

### Greater Heights Academy Charter School

The chairman and a secretary of Greater Heights Academy in Cleveland Heights, as well as a security guard and a consultant to the school, pleaded guilty in January 2014 to defrauding the school of more than \$400,000. Joel Friedman, the chairman, provided Jeffrey Pope, the consultant, with a template to generate fraudulent invoices to the school on the consulting business's letterhead. Marianne Stefanik, the school secretary, processed the payments knowing the invoices were false. The Federal Bureau of Investigation and the Internal Revenue Service investigated.

**Source:** <http://www.news-herald.com/general-news/20140107/mayfield-heights-man-admits-defrauding-charter-school>

### Imani Institute Leadership Charter School

On April 4, 2011, Donna Johnson of the Imani Institute Leadership Charter School in Ohio was sentenced on 15 felony counts including theft of school funds. The state auditor began an investigation in 2003 that revealed that over \$800,000 in state funding for the school was misspent or unaccounted for since 2001. State prosecutors investigating the missing funds determined that, among other things, Johnson paid for her home to be remodeled and purchased items at Ann Taylor with school money.

**Source:** [http://blog.cleveland.com/metro/2010/09/former\\_head\\_of\\_imani\\_school\\_pl.html](http://blog.cleveland.com/metro/2010/09/former_head_of_imani_school_pl.html)  
[http://blog.cleveland.com/metro/2011/04/sentencing\\_of\\_imani\\_institute.html](http://blog.cleveland.com/metro/2011/04/sentencing_of_imani_institute.html)

### W.E.B. DuBois Academy Charter School

In November 2008 the founder of Cincinnati charter school W.E.B. DuBois Academy pleaded guilty to record-tampering and theft of over \$700,000 in public money. Wilson Willard III is serving a four-year prison sentence and an associate is on three years of probation for the theft. Investigation by the Ohio state auditor's office determined that during the school years of 2003-04 and 2004-05, Willard falsely inflated enrollment figures that generated overpayments to the school, and then used the public funds for personal gains including renovation of his own home and payment of university fees and tuition.

**Source:** <http://asumag.com/dailynews/dubois-academy-charter-cincinnati-audit-2090403>

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## Hawaii



### Hawaii Technology Academy Charter School

Jeff Piontek, former head of Hawaii Technology Academy, one of Hawaii's largest charter schools, was arrested and charged in October 2013 with stealing over \$100,000 from the school. An investigation initiated by Hawaii News Now showed that Piontek bought gift cards and incurred phone charges for his personal benefit. Sources said that Piontek used school funds to

purchase thousands of dollars in gift cards at non-education related outlets, including Chilis restaurants, Marriott hotels, Ala Moana Center and Spafinder, the web site that allows people to book body treatments like massages, facials or pedicures at 7,000 spas around the world.

**Source:** <http://www.hawaiinewsnow.com/story/23751584/exclusive-fired-charter-school-chief-indicted-for-100k-theft>

## California



### California Charter Academy

Former Hesperia, California, mayor and councilman Tad Theron Honeycutt and California Charter Academy founder Charles Steven Cox were indicted in 2007 for misappropriating \$5.5 million in public funds from the network of charter schools. Political wrangling has kept the case from going to trial for 6 years.

The pair shares a combined 117 felony charges for misappropriation of public funds, grand theft, tax evasion and filing a false tax return, court records show. A state audit indicates that Honeycutt's spending of funds included \$18,000 for two jet skis and \$1,942 at the Guitar Center. The 2005 audit, commissioned by the California Department of Education, also claimed Cox took millions from the public schools to benefit his friends and family, eventually leading to the collapse of the academy. The two also controlled two management firms that provided services to the network of schools.

**Sources:** <http://www.vvdailynews.com/articles/counts-2668-cox-charter.html>  
<http://www.vvdailynews.com/articles/trial-42605-charter-hearing.html>



### Ivy Academia Charter School

Yevgeny “Eugene” Selivanov and his wife, Tatyana Berkovich, founders of Ivy Academia Charter School with three campuses in the San Fernando Valley, were sentenced on October 4, 2013 for misappropriating more than \$200,000 in public funds. Selivanov received a sentence of four years, eight months, and Berkovich received a forty-five day sentence and 320 hours of community service followed by five years’ probation. They argued that most of the funds were spent on teacher appreciation activities to build morale. The California Charter Schools Association filed a brief in the case arguing that no crime had occurred, and warned that the case could undermine charter school flexibility and expose other operators to prosecution.

**Source:** <http://articles.latimes.com/print/2013/oct/04/local/la-me-1005-charter-sentence-20131005>

### LA Academy

Steven A. Bolden pleaded guilty on January 2, 2014 to stealing more than \$7.2 million worth of computers from a government program. Between 2007 and 2012, Bolden invented more than a dozen education non-profits, including fake charter schools, to benefit from a General Services Administration program that gives surplus computer equipment to public schools and non-profits. In July 2012, a GSA undercover investigator was contacted by Palmdale Educational Development Schools, one of Bolden’s organizations, and sent Bolden 9 laptop computers, which Bolden sold via Craigslist.

**Source:** <http://www.seattlepi.com/local/article/Charter-school-con-man-admits-to-7-2-million-5112206.php>

### Illinois



### Triumphant Charter School

The former head of Chicago’s now-closed Triumphant charter school, Helen Hawkins, was found guilty in 2001 after an investigation by the Chicago Public School’s Inspector General. The investigation questioned more than \$250,000 in purchases with the school’s credit card including over \$30,000 in personal items from Lord & Taylor and Saks Fifth Avenue, and at brand-name shops such as

Louis Vuitton, Coach and Tommy Hilfiger. Hawkins spent thousands of dollars on hair care and cosmetic products, jewelry and diet pills.

**Source:** <http://www.huffingtonpost.com/2010/02/17/helen-hawkins-former-school-n-466223.html>

## New York



### East New York Preparatory Academy

In New York City, the schools chancellor, Joel I. Klein in 2010 ordered the closing of East New York Preparatory Charter School in Brooklyn at the end of this academic year following revelations that the school's founder and principal had named herself superintendent and granted herself a \$60,000 raise.

**Source:**

[http://www.nytimes.com/2010/05/26/education/26charters.html?\\_r=0&adxnln=1&page\\_wanted=all&adxnlnx=1397606483-HRfkrEDtpvRD/2RLuUadhA](http://www.nytimes.com/2010/05/26/education/26charters.html?_r=0&adxnln=1&page_wanted=all&adxnlnx=1397606483-HRfkrEDtpvRD/2RLuUadhA)

## Louisiana



### Langston Hughes Academy Charter School

A regular financial audit in 2009 of the Langston Hughes Academy in New Orleans uncovered theft of \$660,000 by Kelly Thompson, the school's business manager. Thompson admitted that from shortly after she assumed the position until she was fired 15 months later, she diverted funds to herself in order to support her gambling in local casinos.

Saying that Thompson's actions had tarnished education reform efforts in the city after Katrina, the judge ordered Thompson to pay restitution of \$670,000 and to serve five years in a federal prison, a sentence that is double the time recommended by federal sentencing guidelines. Others in the education community shared his sentiments -- the president of the Langston Hughes board supported the heavy sentence, saying that it would send a message to others, and though he was not implicated in wrongdoing, the CEO of the school at the time of the theft resigned.

**Sources:**

[http://www.nola.com/crime/index.ssf/2010/02/langston\\_hughes\\_academys\\_forme.html](http://www.nola.com/crime/index.ssf/2010/02/langston_hughes_academys_forme.html)

[http://www.nola.com/education/index.ssf/2010/05/former\\_langston\\_hughes\\_academy.html](http://www.nola.com/education/index.ssf/2010/05/former_langston_hughes_academy.html)

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## Washington DC



### School for Arts in Learning (SAIL) Charter School

In the fall of 2008, the U.S. attorney's office issued a subpoena for school financial records related to L. Lawrence Riccio's "alleged criminal activities" at the School for Arts in Learning (SAIL). Known internationally for his work in the education of youth with disabilities, Riccio founded the Washington, DC charter school in 1998, but by 2007, a memo

by a financial consultant to SAIL's former chief financial officer describes complete disarray of financial matters.

Though grant money had been flowing in, staff members were not allowed to purchase supplies, rent went unpaid, and funds from one Riccio-led organization paid expenses for another. Financial statements showed that SAIL and sister organizations paid a \$4,854 credit card bill to cover Mr. Riccio's travel-related expenses in Scotland, as well as membership dues and dinner tabs at the University Club, a premier private club. SAIL covered expenses for travel to Boston, Denver, Houston and New Orleans; grocery stores, drugstores, wine and liquor stores and flower shops, cafes and restaurants, a salon and spa, Victoria's Secret and at a glass, paint and wallpaper shop in France, where Mr. Riccio and his wife maintain a private residence.

#### Source:

<http://www.washingtontimes.com/news/2010/may/05/charter-school-pioneer-gets-fbi-scrutiny/#ixzz2zj0z6GdJ>

### Nia Community Public Charter School

Monique S. Murdock, the co-founder and former executive director of Nia Public Charter School in DC, pled guilty on Nov. 13, 2013 to embezzling \$29,000 in school funds by writing checks on the school's account to a foster child in her care and transferring the funds to an account in her name. Murdock also admitted to using a government-issued purchase card to buy more than \$11,000 in gift cards in her role as director of an army day care center after being dismissed from the charter school. Nia's charter was revoked by the D.C. Public Charter School Board for poor academic performance and failure to develop a curriculum. Murdock was sentenced to nine months in prison on April 24, 2014.

**Sources:** [http://www.washingtonpost.com/local/education/nia-community-public-charter-schools-ex-director-pleads-guilty-to-embezzlement/2013/11/13/4979da0a-4cae-11e3-9890-a1e0997fb0c0\\_story.html](http://www.washingtonpost.com/local/education/nia-community-public-charter-schools-ex-director-pleads-guilty-to-embezzlement/2013/11/13/4979da0a-4cae-11e3-9890-a1e0997fb0c0_story.html)

[http://www.washingtonpost.com/local/education/former-dc-charter-school-leader-sentenced-to-prison-for-stealing-school-funds/2014/04/24/4ee82940-cbe5-11e3-a75e-463587891b57\\_story.html](http://www.washingtonpost.com/local/education/former-dc-charter-school-leader-sentenced-to-prison-for-stealing-school-funds/2014/04/24/4ee82940-cbe5-11e3-a75e-463587891b57_story.html)

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## Wisconsin



### New Hope Institute of Science and Technology

In 2008, Rosella Tucker, founder and director of the now-closed New Hope Institute of Science and Technology charter school in Milwaukee, was convicted in federal court of embezzling \$300,000 in public money and sentenced to two years in prison. Tucker acknowledged taking U.S. Department of Education money intended for the school, which she started through a charter agreement

with Milwaukee Public Schools. She spent about \$200,000 on personal expenses, including cars, funeral arrangements and home improvement, according to court documents. Tucker has argued that the remainder of the money she received was legitimate reimbursement for school-related expenses. Tucker embezzled the \$300,000 from 2003 to 2005. The Milwaukee School Board voted to close New Hope Institute of Science and Technology in February 2006, amid problems that included unpaid bills and lack of appropriate teacher licensure.

#### Sources:

<http://www.jsonline.com/news/education/29420144.html#ixzz2z4VdIL7d.html>

<http://www.jsonline.com/news/milwaukee/112892364.html#ixzz2ziaCvli9>

<http://www.jsonline.com/news/education/29420144.html#ixzz2ziZJL95F>

<http://www.jsonline.com/news/milwaukee/112892364.html>

<http://www2.ed.gov/about/offices/list/oig/invtreports/wi012008.html>

## Michigan



### George Washington Carver Academy Charter School

Shantell Bell, former treasurer of the George Washington Carver Academy in Highland Park, was sentenced to five years' probation for embezzling \$25,000 from the school to purchase a Detroit home. The school notified the Michigan State Police of the theft after learning of it from Bell's ex-boyfriend, and the Attorney General's Public Integrity Unit pursued the case against Bell. They found that

in March 2009, Bell had requested a check to purchase text books, which she had converted to a cashier's check and then used it for a down payment on the home.

**Sources:** <http://www.examiner.com/article/former-highland-park-charter-school-treasurer-charged-with-embezzlement>

[https://www.michigan.gov/ag/0,4534,7-164-34739\\_34811-262330--,00.html](https://www.michigan.gov/ag/0,4534,7-164-34739_34811-262330--,00.html)

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## Arizona



### Dobson Academy Charter School

Laurie Bassett was sentenced to supervised probation on January 22, 2010 after pleading guilty to embezzling more than \$20,000 from Dobson Academy Charter School, where she worked in the finance department. Bassett faked invoices for janitorial supplies and wrote checks to her husband and herself for the amounts of the invoices. Bassett's husband, who was also charged with cashing over

\$11,000 in fraudulent checks, claimed that the school owed him for an irrigation job on which he lost money. The fraud came to light when the school's governing board conducted an audit and noticed a 300% increase in spending on janitorial supplies.

**Sources:** <http://www.azcentral.com/news/articles/2010/01/14/20100114abrkdobsonacademy.html>

[http://www.knowleslaw.org/Arizona Defense Blog/2010/February/Woman Pleads Guilty to Embezzling Money From Sch.aspx](http://www.knowleslaw.org/Arizona%20Defense%20Blog/2010/February/Woman%20Pleads%20Guilty%20to%20Embezzling%20Money%20From%20Sch.aspx)



## Appendix B

### School Revenue Used to Illegally Support Charter Operator Businesses



#### New Jersey



#### Adelaide L. Sanford Charter School

In June, 2013, the state of New Jersey revoked the charter of Adelaide Sanford Charter School, citing the school's poor academic performance and its repeated failure to comply with regulations. The state Education Department cited school founder and community activist Frederica Bey and others for refusing to turn over records and rectify conflicts of interest, including inflated rent payments from the

school to Women in Support of the Million Man March (WISOMM), an organization founded by Bey and on whose board Bey and her daughter serve. A complaint filed by the US Attorney's office alleges that Bey used \$345,000 in federal money intended for programs for at-risk youth to pay WISOMM's bills. Several members of the Adelaide Sanford board had asked the state Education Department to intervene.

#### Sources:

[http://blog.nj.com/njv\\_barry\\_carter/2013/06/newark\\_charter\\_school\\_closes\\_a.html](http://blog.nj.com/njv_barry_carter/2013/06/newark_charter_school_closes_a.html)

[http://www.nj.com/essex/index.ssf/2013/06/christie\\_administration\\_closing\\_newark\\_charter\\_school\\_founded\\_by\\_city\\_activist\\_frederica\\_bey.html](http://www.nj.com/essex/index.ssf/2013/06/christie_administration_closing_newark_charter_school_founded_by_city_activist_frederica_bey.html)

[http://www.nj.com/news/index.ssf/2013/05/newark\\_charter\\_school\\_sanford.html](http://www.nj.com/news/index.ssf/2013/05/newark_charter_school_sanford.html)

#### Pennsylvania



#### New Media Charter School

On July 15, 2012, New Media Charter School's founder and board president, Hugh C. Clark, and its executive director, Ina Walker, were sentenced to 24 months and 6 months in prison, respectively, for diverting public funds from the charter school to support a restaurant and a private school they controlled. Prosecutors alleged that the two had funneled public money through Lotus Academy, the

private school, to prop up a restaurant in Mount Airy and to pay off debts associated with a failed internet company. The two agreed to pay restitution for the \$861,000 stolen from

New Media Charter School. Teachers testified that the school lacked textbooks and failed to meet its pension obligations, and that payroll checks sometimes bounced.

**Sources:** [http://articles.philly.com/2012-07-15/news/32675514\\_1\\_fiscal-mismanagement-and-conflicts-lotus-academy-charter-school](http://articles.philly.com/2012-07-15/news/32675514_1_fiscal-mismanagement-and-conflicts-lotus-academy-charter-school)

[http://articles.philly.com/2011-04-15/news/29421529\\_1\\_charter-school-lotus-academy-walker-and-clark](http://articles.philly.com/2011-04-15/news/29421529_1_charter-school-lotus-academy-walker-and-clark)

### Germantown Settlement Charter School

In 2008, the School Reform Commission revealed that Emmanuel Freeman, CEO of the Germantown Settlement Charter School, had run massive deficits, maintained a bloated administrative staff, and used school funds to bail out other entities he ran. Freeman was also director of the Germantown Settlement, a social services agency, and the Germantown Housing Development Corporation, as well as many related non-profit organizations, all of them chronically mismanaged. In 2002, the school settled a lawsuit brought by its former education director alleging that Freeman had transferred over \$500,000 in state education funds to Germantown Settlement and fired her for whistle-blowing.

**Source:** <http://www.phillymag.com/articles/emanuel-freeman-the-man-who-duped-city-hall/?all=1>

### Pocono Mountain Charter School

The Pocono Mountain Charter School and Pocono Mountain School District are engaged in a battle in Commonwealth Court over whether the School District followed proper procedure in its attempts to revoke the school's charter. The school board and the state auditor general found that the school's founder, Rev. Dennis Bloom also served as leader of the Shawnee Tabernacle Church, where the school rented facilities, and handled business for both entities. In 2007 and 2008, the school spent nearly \$2.6 million in public funds to improve facilities on the church's property, including a gymnasium floor bearing the church's name and an electronic sign to display religious messages. Bloom is currently serving a ten-month sentence in federal prison on unrelated tax evasion charges.

**Sources:** [http://articles.mcall.com/2014-02-26/news/mc-pocono-mountain-charter-school-restored-20140226\\_1\\_shawnee-tabernacle-church-daniel-fennick-pocono-mountain-charter-school](http://articles.mcall.com/2014-02-26/news/mc-pocono-mountain-charter-school-restored-20140226_1_shawnee-tabernacle-church-daniel-fennick-pocono-mountain-charter-school)

<http://www.poconorecord.com/apps/pbcs.dll/article?AID=/20140319/NEWS/403190331>

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## Ohio



### Lorain Arts Academy Charter School

Arts Academy charter school in Lorain, Ohio, and Arts Academy West charter school in Cleveland were closed by the state in June 2011 after a state audit found that the school had failed to keep required financial records and had significant debts. The school's founder, Alexis Rainbow, and the director of the school's sponsoring agency, Jorethia Chuck, were both accused of ethics violations by state auditors

and by each other. Rainbow allegedly made payments from the school's account to various businesses that she owned. The audit also found improper spending and financial mismanagement on the part of consultants hired by both women. The school's closure left Ohio taxpayers with about \$75,000 in unpaid bills, many of which had piled up unopened in the schools' mail.

**Sources:** <http://chronicle.northcoastnow.com/2012/05/18/lorain-arts-academy-flunks-audit/>

[http://www.cleveland.com/metro/index.ssf/2012/03/debts\\_of\\_arts\\_academy\\_and\\_arts.html](http://www.cleveland.com/metro/index.ssf/2012/03/debts_of_arts_academy_and_arts.html)

### Main Street Automotive Magnet School

In response to a report by the Ohio Auditor of State, Main Street Automotive Magnet founder Joe Singleton admitted in August 2009 to faking invoices for chairs, computers and other school equipment and using the funds for his personal gain. His purchases include a golf cart and the installation of a security system at a warehouse owned by his mother. Singleton used his own company, RJ Investments, to bilk the school out of \$116,000.

**Source:** <https://ohioauditor.gov/news/pressreleases/details/711>

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## California



### Center for Excellence in Education Charter School

On September 7, 2004, the Bear Valley Unified School District board of trustees voted unanimously to revoke the charter of the Center for Excellence in Education. The school district argued that the charter school had failed to comply with a number of regulations on teaching credentials, conflicts of interest, and what the district characterized as “inappropriately close” relationships

with several religious organizations. The founding director of the school, John Dunn, simultaneously acted as a board member and as the school’s landlord. His successor as director also violated the California Government Code by serving as a paid employee and board member. Employees received bonuses and advances paid with public funds, in violation of the state Constitution. In 2006, Dunn filed suit against the district, superintendent, and school board members, alleging that the charter revocation violated due process rights.

**Sources:** [http://www.bigbeargrizzly.net/news/article\\_bedcf990-92df-5bf3-bf1e-a352328eabca.html](http://www.bigbeargrizzly.net/news/article_bedcf990-92df-5bf3-bf1e-a352328eabca.html)

[http://www.bigbeargrizzly.net/news/article\\_e0e50ee5-ac1f-5743-b2d7-c03417bd7d77.html](http://www.bigbeargrizzly.net/news/article_e0e50ee5-ac1f-5743-b2d7-c03417bd7d77.html)

### The American Indian Public Charter School II

In 2012, California’s Fiscal Crisis and Management Assistance Team conducted an investigation into the American Indian Public Charter School II in Oakland after a former employee blew the whistle on suspicious financial activity between the school and a real estate company owned by the school’s founder and chief executive, Ben Chavis. The investigation found up to \$3 million of questionable transactions between the charter school and Chavis’s companies. Chavis is accused of embezzling with the help of his wife, an administrator at the school. “When an organization lacks internal controls and governing board oversight is minimal,” the auditing team wrote in a letter to Alameda County Superintendent Sheila Jordan, “the likelihood of fraud greatly increases.”

**Source:** <https://www.wsws.org/en/articles/2012/04/char-a24.html>

## Florida



### Academy of Arts & Mind Charter School

An investigation into the finances and governance of Academy of Arts and Minds in Coconut Grove was sparked in June 2011 when the school's Parent Teacher Student Association sent a letter to Dade County officials alleging that the school's board included relatives and business associates of the school's founder and landlord, attorney Manuel Alonso-Poch. They also noted that the

school paid Alonso-Poch \$86,000 per month in rent and that a company he controlled held the school's food services contract. The Miami-Dade School Board's auditor confirmed the conflicts of interest in a report in June 2012, but by December Alonso-Poch had continued to deny that any improprieties existed.

**Sources:** [http://mca.dadeschools.net/AuditCommittee/AC\\_june\\_26\\_2012/item8.pdf](http://mca.dadeschools.net/AuditCommittee/AC_june_26_2012/item8.pdf)

<http://www.miaminewtimes.com/2011-06-09/news/coconut-grove-charter-school-owner-manuel-alonso-poch-accused-of-bilking-taxpayers/>

<http://www.miaminewtimes.com/2012-12-27/news/manuel-alonso-poch-won-t-fix-conflicts-of-interest-at-his-charter-school-new-audit-finds/full/>

## Illinois



### United Neighborhood Organization (UNO) Charter School

On October 18, 2013 Illinois Gov. Patrick Quinn froze the last \$15 million of a \$96 million state school construction grant to United Neighborhood Organization, the state's largest charter operator. The announcement was made after the Chicago Sun-Times reported that the federal Securities and Exchange Commission was investigating UNO

in connection with \$37.5 million the group raised by selling off state-backed bonds. Gov. Quinn had suspended, and then restored, UNO's state funding in spring 2013 amid media reports that two contractors owned by the brothers of a top UNO executive were paid \$8.5 million in grant funds.

**Source:** <http://www.suntimes.com/news/education/23226695-418/a-quinn-no-to-uno-governor-says-no-more-school-construction-money.html#.U02i3-ZdXfY>

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## Louisiana



### New Orleans Military and Maritime Academy Charter School

Darrel K. Sims, the former business manager of New Orleans Military and Maritime Academy Charter School turned himself in to police on December 3, 2013 after being charged with a \$31,000 theft from the school. Sims had written checks that were invoiced as though they were made out to office supply stores, but in reality were written to a social organization

founded by Sims. The school had fired Sims in May 2012 but only discovered the theft in December of that year, at which time the school contacted the police. Sims had been charged with stealing and writing bad checks several times before, but the charges were too old to show up in the Military Academy's background check.

**Sources:** <http://thelensnola.org/2013/12/03/former-employee-charged-with-stealing-31000-from-new-orleans-military-and-maritime-academy/>

<http://thelensnola.org/2013/04/23/former-employee-investigated-for-stealing-31000-from-charter-school-once-charged-with-theft-from-terrebone-school/>

## Texas



### Varnett Public Charter School

The Texas Education Agency released a report on August 20, 2013 alleging that the superintendent of the Varnett School and her husband, the facilities and operations manager, misspent school funds and improperly profited by conducting business with the school. The report claims that Annette and Alsie Cluff, Jr. were reimbursed for \$1.5 million in charges on their personal credit cards, including

luxury hotels, first-class flights, cruises, and Broadway tickets. They also own a real estate company that leased space to the school for \$1 million per year, and their bus company billed the school for student transportation at a rate of \$12 per mile. The Cluffs denied most of the findings of the report.

**Source:** <http://educationblog.dallasnews.com/2013/08/houston-charter-school-misspent-5-3-million-in-federal-funds-state-report-finds.html/>

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## Burnham Wood Charter School

In March 2012, the Texas Education Agency released an audit report alleging financial improprieties and nepotism by the board of the Burnham Wood Charter School District, which runs three schools. The report found that the board improperly approved the purchase of property from Superintendent Iris Burnham, who also serves as board president. The board approved the 2006 purchase using \$1.2 million in revenue bonds, nearly 150% of the land's market value. (The district argues that the purchase was legal and approved by the attorney general.) The district also leased property from Burnham and employs Burnham, her son, and daughter in law in positions with significant financial responsibilities. Burnham operated a private school on a district charter campus that did not pay rent for several years. The Education Agency assigned a monitor to the district, which the district contested.

**Sources:** [http://www.elpasotimes.com/news/ci\\_20456862/state-audit-reaffirms-burnham-wood-issues?source=pkg](http://www.elpasotimes.com/news/ci_20456862/state-audit-reaffirms-burnham-wood-issues?source=pkg)

[http://www.elpasotimes.com/ci\\_21124138/problems-bring-tea-monitor-district](http://www.elpasotimes.com/ci_21124138/problems-bring-tea-monitor-district)

## Washington, DC



### Options Public Charter School

Former leaders of Options Public Charter School are under Federal investigation for possible Medicaid fraud and other abuses. They are accused of exaggerating the needs of the disabled students, bilking the federal government for Medicaid funds to support their care, and creating a contracting scheme to divert more than \$3 million from the schools for their own companies, including

a transportation company that billed the Federal government for transporting students to the school, but apparently offered gift cards to students to increase ridership on the buses. Additionally, a senior official at the D.C. Public Charter School Board allegedly received \$150,000 to help them evade oversight.

**Sources:** [http://www.washingtonpost.com/local/education/options-dc-charter-schools-medicaid-billing-is-at-center-of-investigation/2013/12/16/614c2dfe-5dcf-11e3-95c2-13623eb2b0e1\\_story.html](http://www.washingtonpost.com/local/education/options-dc-charter-schools-medicaid-billing-is-at-center-of-investigation/2013/12/16/614c2dfe-5dcf-11e3-95c2-13623eb2b0e1_story.html)

[http://www.washingtonpost.com/local/education/new-claims-surface-in-options-charter-school-case/2014/01/03/c02d1f5e-74a4-11e3-8b3f-b1666705ca3b\\_story.html](http://www.washingtonpost.com/local/education/new-claims-surface-in-options-charter-school-case/2014/01/03/c02d1f5e-74a4-11e3-8b3f-b1666705ca3b_story.html)

## Missouri



### Paideia Academy Charter School

Fred W. Robinson, former chairman of the Board of Paideia Academy Charter School, was convicted in March 2013 on multiple fraud charges including diversion of federal and state education funds from the school. Robinson diverted around \$242,333 for the purchase, construction, and rehabilitation of a building to develop a day care center to be operated by a company in which Robinson had an ownership

and financial interest that he failed to disclose. Additionally, he submitted false time sheets from 2006-2010 as an employee of the Treasurer's office, receiving approximately \$35,360 every year from the false sheets. The FBI assisted with the investigation of the case.

**Source:** <http://www.fbi.gov/stlouis/press-releases/2013/chairman-of-the-board-for-the-paideia-academy-employee-of-st.-louis-city-treasurers-office-convicted-on-fraud-charges>

## Appendix C

### Mismanagement that Puts Children in Potential Danger

#### New Jersey



#### Paterson Charter School for Urban Leadership

The New Jersey Department of Education investigated, and closed the Paterson Charter school for Urban Leadership in 2003. The school had been operating for years under a large deficit. During the investigation, the DOE found that over 75% of the school employees had not undergone criminal background

checks. Two employees with disqualifying convictions were subsequently removed.

**Source:** <http://www.nytimes.com/2003/07/22/nyregion/paterson-charter-school-closed-amid-protest.html>



#### Mercer Arts Charter High School

Mercer Arts Charter High School had its charter revoked by the New Jersey state Department of Education in 2007 for not providing a safe and orderly education environment. The state cited myriad problems including fiscal woes and under-developed programs.

**Source:**

[http://www.nj.com/mercero/index.ssf/2007/12/state\\_pulls\\_plug\\_on\\_charter\\_sc.html](http://www.nj.com/mercero/index.ssf/2007/12/state_pulls_plug_on_charter_sc.html)

#### California



#### A. Phillip Randolph Leadership Academy Charter School

The San Diego School Board voted unanimously to revoke A. Phillip Randolph Leadership Academy's charter in July 2006, due to inadequate supervision of the students and financial mismanagement. District administrator Wendell Bass wrote in a report "Students entered and exited class at will, sometimes without the teacher knowing they had left."

**Source:** [http://www.utsandiego.com/uniontrib/20060712/news\\_1m12charter.html](http://www.utsandiego.com/uniontrib/20060712/news_1m12charter.html)

### Children's Conservation Academy Charter School

San Diego schools investigated Children's Conservation Academy Charter School in 2007 and found that they could not account for tens of thousands of dollars in questionable expenses. These included an athletic club membership (\$638), restaurant food (\$2,219), Starbucks coffee (\$143), Padres tickets (\$369) and cell phone bills (\$1,505) Additionally, the school operated for a year and a half without purchasing workers' compensation insurance and had no proof of criminal background and tuberculosis checks for employees, creating safety and health hazards for students. The mother of the school's founding director was paid more than \$11,000 by the school, "without authorization and without supporting documentation to reflect the work performed," according to the district.

**Source:** [http://www.utsandiego.com/uniontrib/20070824/news\\_1m24charter.html](http://www.utsandiego.com/uniontrib/20070824/news_1m24charter.html)

### Ohio



### The Talented Tenth Leadership Academy for Boys Charter School & The Talented Tenth Leadership Academy for Girls Charter School

The State Superintendent of Public Instruction, Richard Ross, directed the closure of two charter schools in October, 2013 for health and safety reasons. He also brought the superintendent of the sponsor, North Central Ohio Educational Service Center,

which sponsors 21 other schools in the area, to his office to account for the dismal performance. The Talented Tenth Leadership Academy for Boys and the Talented Tenth Leadership Academy for Girls in Columbus, Ohio were found by the department to be inadequately staffed and not providing the proper level of supervision or an adequate education. The department also believes that the sponsor failed to provide oversight to ensure the students were in a safe learning environment. Dr. Ross said "They did not ensure the safety of the students, they did not adequately feed the students, they did not accurately track the students and they were not educating the students well. It is unacceptable and intolerable that a sponsor and school would do such a poor job. It is an educational travesty."

**Source:** <http://education.ohio.gov/Media/Media-Releases/2013-Releases/State-Superintendent-Directs-Closing-of-Two-Commun#.U03jCeZdXfY>

## Appendix D

### Charters Receiving Public Dollars for Services Not Provided



#### New Jersey



#### Regional Experiential Academic Charter High School

New Jersey officials shut the Regional Experiential Academic Charter High School on April 19, 2000. This was the first time they shut a charter down. The state found issues including a failure to provide services for special education students that are required by both state and federal law, as well as not itemizing and approving expenses.

**Source:** <http://www.nytimes.com/2000/04/20/nyregion/charter-school-with-financial-and-academic-woes-is-closed.html>

#### Pennsylvania



#### Frontier Virtual Charter High School

Pennsylvania Department of Education revoked the charter of Frontier Virtual Charter High School, a Philadelphia-based cyber school. The Daily News wrote that the school “didn’t supply students with promised laptops, printers and Internet reimbursements.” Additionally, cash purchases that weren’t backed up with receipts and non-school expenses were a significant issue for the school.

**Sources:** <http://technical.ly/philly/2012/07/09/daily-news-philly-based-cyber-school-surrenders-its-charter-after-months-long-investigation/>  
[http://articles.philly.com/2012-07-06/news/32566795\\_1\\_charter-school-law-frontier-s-ceo-education-ron-tomalis](http://articles.philly.com/2012-07-06/news/32566795_1_charter-school-law-frontier-s-ceo-education-ron-tomalis)



## Minnesota



### Community School of Excellence Charter School

The St. Paul police investigated the Community School of Excellence Charter School in January of 2014 for failure to report suspected child abuse and financial malfeasance. A private investigation found that the school's superintendent told staff to enter lunch codes for meals that were not eaten and to not report suspected cases of child abuse.

Concordia University, the schools authorizer, encouraged the board to replace the superintendent in February of 2014.

**Sources:** <http://www.startribune.com/local/stpaul/241753081.html>

[http://www.twincities.com/education/ci\\_25088228/head-st-paul-charter-school-should-go-authorizer](http://www.twincities.com/education/ci_25088228/head-st-paul-charter-school-should-go-authorizer)

## Ohio



### Cleveland Academy of Scholarship Technology & Leadership Enterprise Charter School

Five former officials are accused of laundering and stealing nearly \$2 million from the Cleveland Academy of Scholarship Technology & Leadership Enterprise. They are accused in an indictment issued in April 2013 of setting up shell companies to receive payments from the school for goods and

services that were never provided. Ten individuals and 13 businesses in total were accused of being part of the scandal and at least 2 pleaded guilty in February of 2014.

**Sources:** [http://www.cleveland.com/metro/index.ssf/2013/04/post\\_137.html](http://www.cleveland.com/metro/index.ssf/2013/04/post_137.html)

<http://www.daytondailynews.com/news/news/crime-law/dayton-residents-plead-guilty-to-misdemeanors-in-c/ndCng/>

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## California



### Cato School of Reason Charter School

In 1998, LA Weekly investigated the operations of the Cato School of Reason in California. The charter entity, created in 1994, had come up with a money making scheme that netted it millions of public dollars. Cato formed various types of partnerships with private schools, allowing the charter to “enroll” hundreds of private school students and bring in millions

in public dollars, which were then shared with some of the private school operators. In a second wave of fraud, the California State Controller found that the now-closed CATO II School of Reason had signed up 40 private schools that were converted into charter schools, receiving both state funds and paid tuition. All told, CATO’s founder Thomas Cosgrove has netted millions on the schools. According to the LA Weekly, “Cosgrove has successfully exploited the flip side to the charter-school mantra of deregulation and local control. Along with the freedom to reform came a distinct lack of oversight. Charter-school legislation never clearly addressed who was responsible when something went wrong. Nor did reformers fully consider that a charter school could exist for reasons other than the best interests of children. They never contemplated that their reforms would unchain dollars as well as ideas. And that state education funds were dangling for the taking by school operators who could obtain a local charter, then devise ways to crunch down costs for financial gain.”

**Sources:** <http://www.laweekly.com/1998-08-20/news/charter-school-for-scandal-page-1/>  
<http://www.laweekly.com/1998-08-20/news/charter-school-for-scandal-page-2/?storyPage=2> <http://irascibleprofessor.com/comments-3-27-00.html>

## Florida



### Life Skills Center Charter School

John Wyche was sentenced in 2011 of misusing more than \$750,000 in state education money, housing grants and loans meant for the charter school Life Skills Center in Escambia County, Florida. He used this money to try to save the failing Mason de Ville apartment complex. The school’s former chief financial officer was also sentenced for helping in the scheme.

**Source:**

<http://www.pnj.com/article/20120417/NEWS01/204170317/Court-denies-Pensacola-Businessman-John-Wyche-s-appeal?odyssey=tab%7Ctopnews%7Ctext%7CFRONTPAGE>

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## Appendix E

### Charter Executives Illegally Inflating Enrollment to Boost Revenues



#### Minnesota



#### Chiron Downtown Middle Charter School

In 2006, State of Minnesota Office of the State Auditor reviewed the financial records of Chiron Downtown Middle Charter School and found a lack of effective oversight and internal controls. They also found that the managing Director misrepresented the number of enrolled students to get more public funds. She also made questionable payments to herself and

others. She was later arrested and charged with 7 counts of theft and other felonies and the school was closed. The state lost \$340,000.

**Sources:** [www.osa.state.mn.us/reports/spi/2006/chiron\\_06\\_report.pdf](http://www.osa.state.mn.us/reports/spi/2006/chiron_06_report.pdf)

[http://www.amsd.org/articles/charter\\_demise0909.html](http://www.amsd.org/articles/charter_demise0909.html)

#### Success Academy Charter School

Success Academy in 2010 closed its doors with more than \$1.2 million in debt according to an independent auditor's report. It left staff who were owed over \$300,000 in salaries and vendors who were owed \$194,000. The school overstated its enrollment and was overpaid for special education costs, and didn't meet expectations for its extended year program, owing taxpayers a grand total of \$742,726.

**Source:** December 30, 2000; *Star Tribune* (Minneapolis, MN)

<http://charterschoolscandals.blogspot.com/2011/04/success-academy-two-campuses.html>

#### Florida



#### Life Skills Center Charter School

A Polk County School District investigation in 2010 of the Life Skills Center found that the charter school overcharged the state \$101,000 by exaggerating enrollment by 37 students.

**Source:**

<http://www.theledger.com/article/20100313/NEWS/3135022>

## California



### Oak Hills Charter School

After Oak Hills Charter School in Gridley was closed in October 2007 for health and safety violations, the Butte County Superintendent of schools initiated an audit that found that as many as 30 students included in attendance counts for the 2007-08 school year may have been invented. The audit also found many instances of financial mismanagement, including improper record-keeping, almost

\$20,000 in credit card charges with no documentation that the charges were school-related, and possible false billing. The principal, Jill Kahn, and the board clerk, Josh Cook, were accused of nepotism for hiring family members as school employees. Civil and criminal charges were possible.

**Source:** [http://www.chicoer.com/ci\\_10342835](http://www.chicoer.com/ci_10342835)

## Texas



### Prepared Table Charter School

Three family members were sentenced to prison on September 3, 2005 for their roles in submitting inflated enrollment numbers and stealing state and federal funds intended for meal programs through a sham catering service. Rev. Harold Wilcox, who was accused of being the mastermind behind the scheme at the Prepared Table Charter School in Houston, died several weeks before the sentencing. His

wife Louvicy Wilcox was sentenced to four years and nine months for submitting inflated enrollment reports to the Texas Education Agency; his stepdaughter Roshall Frank was sentenced to fifteen months for the inflated attendance records; and his brother Rev. Anthony Mosley was sentenced to six years on conspiracy and money laundering charges related to the fake catering service. Altogether, Prepared Table Charter School defrauded the state and federal government of \$6 million.

**Source:** <http://www.chron.com/news/houston-texas/article/3-relatives-sentenced-in-charter-school-scam-1919855.php>

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## IRRA Charter School

In 2009, the Texas Education Agency placed the IRRA Charter Schools system on accreditation probation for changing student attendance records to inflate their state funding and ordered the schools to repay \$900,000. The system replaced its superintendent and changed its name to Ignite. After a Channel 5 News investigation quoted a teacher and student who said the schools marked students present when they didn't attend school, the TEA sent parents a letter in October 2012 noting that the schools remained on probation.

**Source:** <http://www.krgv.com/news/valley-charter-school-system-on-probation/>

## Arizona



### Life School College Preparatory Charter School

In a 2012 report to Congress, the Department of Education's Office of the Inspector General reported on the results of several investigations relating to charter schools. The report noted that a former information technology official at Life School College Preparatory, Inc., also known as the Franklin Arts Academies in Arizona, was

sentenced to serve 3 years of probation and was ordered to pay nearly \$2 million in restitution for fraud. The case involved falsifying enrollment documents by entering fictitious and former student names into the Arizona Department of Education's school attendance system, leading to the allocation of Federal and State dollars to which the school was not entitled.

**Source:** <http://www2.ed.gov/about/offices/list/oig/semiann/sar65.pdf>

## Pennsylvania



### Center for Economics and Law Charter School

Curtis Andrews, the chief executive of the Center for Economics and Law Charter School in Southwest Philadelphia, was sentenced on Nov. 4, 2006 to 33 months in prison for inflating the school's attendance records and using the \$200,000 in extra funding for himself and to increase some school employee's paychecks. The School

Reform Commission had unanimously voted in March 2003 against renewing the school's charter, citing financial mismanagement, failure to provide required records, and failure to

administer standardized tests. School officials abruptly closed the school in June 2003, before the end of the school year. Andrews agreed to make full restitution as part of his guilty plea.

**Source:** [http://articles.philly.com/2008-10-23/news/24992166\\_1\\_grand-jury-documents-expenses](http://articles.philly.com/2008-10-23/news/24992166_1_grand-jury-documents-expenses)

[http://articles.philly.com/2005-03-19/news/25421010\\_1\\_charter-school-traditional-public-schools-fbi-agent](http://articles.philly.com/2005-03-19/news/25421010_1_charter-school-traditional-public-schools-fbi-agent)

## Ohio



### International Preparatory Schools Charter School

In 2012, Ohio Attorney General Mike DeWine ordered the operators of two Cleveland-area charter schools to pay back \$1.4 million that the schools charged the state for hundreds of students never enrolled in either of two campuses of The International Preparatory Schools (TIPS) during their 6 years of operation. Any money recovered, says

DeWine, will go back to the Cleveland and Northeast Ohio school districts that were obligated to pass public funding through to the schools.

**Source:** <http://stateimpact.npr.org/ohio/2012/01/10/former-charter-school-operator-to-pay-back-1-4-million-it-owes-state/>

## North Carolina



### Roger Bacon Academy Charter School

On January 9, 2014, the North Carolina Board of Education approved the Roger Bacon Academy's application to open a third charter school, despite evidence that the Academy's two existing schools were the subject of an open investigation by the U.S. Department of Education. Brunswick County Schools Superintendent Edward Pruden, who has

argued against approval for the third school, forwarded a letter from the US DOE confirming that an investigation was ongoing and denying his request for details about its focus. Pruden said that based on information received by his office, the investigation concerns attempts to improperly recruit students in order to boost enrollment records and state funding at one of Roger Bacon's campuses, Charter Day School. Roger Bacon Academy head Baker Mitchell has denied knowledge of any



investigation. Pruden and others have raised concerns about a potential conflict of interest in Mitchell's position on the state Charter School Advisory Board, though the Board of Education has said his appointment to the board was legal.

**Sources:** <http://www.americanownews.com/story/24399755/superintendent-levels-serious-accusations-about-charter-school>

<http://www.wect.com/story/24399755/superintendent-levels-serious-accusations-about-charter-school>

<http://pulse.ncpolicywatch.org/2014/01/10/baker-mitchells-charter-schools-under-investigation-by-the-u-s-dept-of-education/>

<http://www.starnewsonline.com/article/20140109/ARTICLES/140109710/1177?p=1&tc=pg#gsc.tab=0>

## Appendix F

### Charter Operators Mismanaging Their Schools



#### Ohio



Legacy Academy for Leaders  
and the Arts Charter School  
George Washington Carver  
Preparatory Academy  
NuBethel Center of Excellence  
New City Community School

Together, over \$470,000 in public funds were swindled from these four now-closed charter schools in Ohio. What they had in common

was their treasurer, “serial charter school embezzler” Carl Shye. Shye is now serving two years in federal prison for the fraud.

Shye’s work as treasurer for as many as 10 charter schools in Ohio was initially investigated by Ohio State Auditor David Yost, but later involved the FBI as well. The FBI investigation ended up uncovering a whopping 62 findings of embezzlement involving over \$1 million.

Descriptions of the fraud are varied, Shye apparently wrote checks for amounts that exceed contractual work done for the schools, beefed up his own salary payments, and lent money from one school to another, then pocketing the repayments. Meanwhile, federal taxes withheld from teacher and employee paychecks was never paid to the proper taxing authorities.

**Sources:** <http://www.vindy.com/news/2013/dec/04/audit-finds-more-sloppy-bookkeeping/?print>

<http://www.blackpressusa.com/carl-shyes-charter-school-embezzlement-woes-deepen/#sthash.03XdLN4r.dpuf>

<http://www.fbi.gov/cincinnati/press-releases/2012/former-charter-schools-treasurer-sentenced-to-24-months-in-prison-for-embezzling-money-from-schools>

## Minnesota



### Harvest Prep Academy

In 2012, Eric Mahmoud was inducted into the National Alliance of Public Charter School's Hall of Fame. But state officials are beginning to scrutinize the finances of the network of charter schools the Mahmoud and his wife run. Much of the investigation centers around financial debt incurred by the charter schools — Harvest Prep Academy and three Best Academy charter schools, along with SEED

Daycare. The schools all appear to be losing money, primarily on their buildings and building financing. As a result, beginning in 2011, investors required SEED to operate with a financial consulting firm on-site. Other concerns raised have to do with nepotism on the governing boards of the schools, and Mahmoud's salary of \$273,000 annually—more than any superintendent of schools in the State.

Additional red flags were raised when it was discovered that's Mahmoud is currently serving five years' probation after pleading guilty in 2010 in a mortgage fraud case in Georgia. In that case, Mahmoud was one of five men arrested for using a fraudulent loan application to try to close on the sale of a home in Atlanta. Mahmoud pleaded guilty in 2010 under a plea agreement, and was fined \$5,000. But later investigation showed that officials at Mahmoud's charter schools in Minneapolis may have been involved in the Georgia.

A spokesperson for the Minnesota Department of Education told the Minneapolis Star Tribune in August, 2013, "It appears the state cannot prohibit a public school from hiring an individual with a criminal background, nor can the state be considered responsible for criminal activity that may take place in a school, particularly when that criminal conduct is not related to educational matters."

**Sources:** <http://www.startribune.com/local/minneapolis/165813196.html>

<http://www.startribune.com/local/minneapolis/165679246.html>

<http://www.startribune.com/local/blogs/199606941.html>

<http://www.startribune.com/local/blogs/166274586.html>

### Synergy Academy

Synergy Academy at SEED was one of two proposals for a residential charter academy for at-risk students in Minnesota in the 1990s. Synergy received a state grant of over \$6 million in 1999 to construct and equip a facility for the school. The grant required that the state be reimbursed if the building were closed or used for other purposes. The school closed in 2003, unable to attract enough students to keep it viable. SEED's founder, Eric Mahmoud then opened several new charter schools in the building, but did not pay by the

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state grant. Though red flags were waved at the state Department of Education as early as 2002, no action was taken to protect public dollars invested in SEED. Owner Eric Mahmoud is now under investigation for financial dealings relating to his other charter schools

**Source:** <http://www.startribune.com/local/minneapolis/165813196.html>

## Ohio



### Eagle Heights Academy Charter School

Eagle Heights Academy charter school in Youngstown was closed in 2010 after the Ohio State Auditor issued a report listing significant financial mismanagement at the school. The report found \$33,500 in public funds that were illegally spent, and ordered the money repaid. In addition the Auditor found that federal grant payments were received by school personnel

without approval from the school's governing board; federal income taxes of over \$333,000, and Medicare taxes of over \$120,000 were withheld from employees paychecks, but not turned over to the appropriate taxing authorities, and over \$700,000 in questioned costs or accounting errors were also found.

**Source:** <http://www.vindy.com/news/2010/may/12/eagle-heights-academy/#sthash.9cNpE2yq.dpuf>

## Massachusetts



### Gloucester Community Arts Charter School

The Gloucester Community Arts Charter School was closed in early 2013 due to low enrollment, high rates of attrition and financial instability. An investigation by the state's Charter School Office found myriad problems with the school, including the lack of a coherent curriculum, violations of the State's bidding laws in the contract for its

facility, among other concerns. The schools trustees surrendered their charter and the school closed down in the middle of a school year, putting about 100 students on the street in search of new schools.

**Source:** <http://www.bostonglobe.com/metro/2013/01/04/gloucester-charter-school-close-next-week/I6x1PYddrQ82HaSlhNaboM/story.html>

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## California



### ABC Charter Middle School

A 2009 Audit by the Los Angeles Unified School District Office of the Inspector General found management issues at ABC Charter Middle School in LA. “Our audit found that the lack of oversight by both the School’s management and board members led to significant control weaknesses in cash management, payroll, and financial accounting and reporting. In addition, the School did not maintain adequate

documentation for expenditures and other financial transactions,” the report said.

**Source:**

[http://notebook.lausd.net/pls/ptl/docs/page/ca\\_lausd/fldr\\_organizations/fldr\\_oig\\_publications\\_audit\\_reports/09392abccharterms.pdf](http://notebook.lausd.net/pls/ptl/docs/page/ca_lausd/fldr_organizations/fldr_oig_publications_audit_reports/09392abccharterms.pdf)

## Florida



### Sunshine Academy Charter School

In 2011 the Miami Herald published an extensive report on charter accountability in Florida. In its report, it cited the case of Sunshine Academy in Miramar. In 2007, according to the Herald, the board of Sunshine Academy went to the police, after discovering that Alcira Manzano, the school’s principal, had made unauthorized withdrawals from the school’s account. The board closed the school

and Manzano was arrested on theft charges. Investigators later found that Manzano had also made loans to the school and personally paid the rent. Though charges against Manzano were later dropped, the prosecutor in the case noted that the school had been poorly run. The following year, a legislative report noted that the state needed to adopt stronger monitoring procedures to detect struggling schools before the problems brought the school to the brink of closure.

**Source:** <http://www.miamiherald.com/2011/09/19/2541051/florida-charter-schools-big-money.html#storylink=cpy>

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## New York



### Niagara Charter School

A report by the New York State Education Department concluded that the Niagara Charter School in Buffalo suffered from “the pervasive appearance of financial mismanagement and less-than ethical behavior on the part of the Board of Trustees and the school administration.” Public funds provided to the school during its first years were apparently spent on plane tickets,

restaurant meals and alcohol. More than \$100,000 was spent on no-bid consulting contracts. The investigation also questioned the school’s relationship to another local charter—Enterprise Charter School—which apparently shared the same chief executive and several board members.

**Source:**

[http://www.nytimes.com/2010/05/26/education/26charters.html?\\_r=0&adxnnl=1&page\\_wanted=all&adxnnlx=1397606483-HRfkrEDtpvRD/2RLuUadhA](http://www.nytimes.com/2010/05/26/education/26charters.html?_r=0&adxnnl=1&page_wanted=all&adxnnlx=1397606483-HRfkrEDtpvRD/2RLuUadhA)

## North Carolina



### StudentFirst Academy Charter School

StudentFirst Academy in Charlotte, North Carolina closed in early April 2014 after dwindling enrollment and poor management created severe financial stress. The school, in its first year of operation, surrendered its charter. By March of this year, the school’s board had over \$600,000 in overdue bills and bank loans. A team of investigators from the

state Office of Charter Schools provided help and support to the board, but expressed concerns over a range of issues including the quality of instruction and support for students with disabilities.

**Source:** <http://www.charlotteobserver.com/2014/04/03/4814539/studentfirst-charter-school-to.html#.U03QMeZdXfb#storylink=cpy>

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## Oregon



### EdChoices Charter Schools

Tim King and Norm Donohoe, founders of a chain of 10 charter schools in several Oregon Counties, agreed to repay the state \$475,000 and dismantle their charter school network, as part of a court settlement reached in the case. The Oregon Department of Justice accused the men of engaging in racketeering, money laundering and other fraud related to the charter schools between 2007-2010. Both

men were also banned for life from running, advising or otherwise being involved in any charter school in the state.

**Source:**

[http://www.oregonlive.com/education/index.ssf/2013/11/oregon\\_charter\\_school\\_founders\\_1.html](http://www.oregonlive.com/education/index.ssf/2013/11/oregon_charter_school_founders_1.html)

## North Carolina



### Kinston Charter Academy

Before the North Carolina State Board of Education could act to close it, the Kinston Charter Academy in Lenoir County shut itself down just a week in to the 2013-2014 school year. The sudden closure left the families of 230 students in limbo. But what the State found in the school's books was disheartening: the school had only \$3,000 in its accounts, despite having received more than \$600,000

in public funding for the beginning of the school year. The funds had been used to pay of school debt, according to the school's director, and there was no money remaining to cover the payroll. The school had been running at a deficit for several years.

**Source:** <http://www.ncpolicywatch.com/2013/09/17/charter-shuts-down-questions-raised-about-state-education-funds/#sthash.9JHPKpnR.dyTr6oT2.dpuf>

## Endnotes

- <sup>1</sup> **Source:** <http://www2.ed.gov/about/offices/list/oig/semiann/sar60.pdf>
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  - <sup>5</sup> **Source:** <http://www.leg.state.mn.us/lrl/issues/issues.aspx?issue=charter>
  - <sup>6</sup> **Source:** <http://www.publiccharters.org/wp-content/uploads/2014/02/New-and-Closed-Report-February-20141.pdf>
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  - <sup>8</sup> **Source:** National Alliance for Public Charter Schools 2014 Report, Estimated Number of Public Charter Schools & Students, 2013-2014. [www.publiccharters.org/wpcontent/uploads/2014/02/New-and-Closed-Report-February-20141.pdf](http://www.publiccharters.org/wpcontent/uploads/2014/02/New-and-Closed-Report-February-20141.pdf)
  - <sup>9</sup> **Source:** <http://www.washingtonpost.com/blogs/answer-sheet/wp/2013/09/05/why-charter-schools-need-better-oversight/>
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- <sup>40</sup> **Source:** <http://www2.ed.gov/about/offices/list/oig/misc/mgmtchall2014.pdf> page 5 U.S. Department of Education FY 2014 Management Challenges
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