

Sheri Smithson

From: Lamkin, Brian <BrianLamkin@oig.sc.gov>
Sent: Thursday, August 5, 2021 1:09 PM
To: Tyler Turner
Cc: Wisner, Leslie - OIG
Subject: RE: [External] Telephone call
Attachments: Ltr_Use of State Funds by an Educational Mgmt Org..pdf

Follow Up Flag: Follow up
Flag Status: Completed

Tyler:

It's always a pleasure to talk to you.

In response to your FOIA request here is my letter to the Governor's Office that summarized my findings.

Just to reaffirm to you that the OIG does not have an ongoing investigation regarding Oceanside Collegiate Academy.

If you or Oceanside board members have any other questions or I can be of any other assistance do not hesitate to call me.

Brian D. Lamkin
Inspector General
SC Office of the State Inspector General
111 Executive Center Drive, Suite 204
Columbia, SC 29210
(803) 896-1287 (direct)
www.oig.sc.gov

From: Tyler Turner <tturner@turnercaudell.com>
Sent: Thursday, August 5, 2021 12:58 PM
To: Lamkin, Brian <BrianLamkin@oig.sc.gov>
Subject: RE: [External] Telephone call

Brian,

Thank you again for your time on the telephone. Pursuant to the South Carolina Freedom of Information Act, can you please send me a copy of the letter prepared by your office that you referenced on our call related to charter school employee benefits funding. I would also greatly appreciate your written confirmation that Oceanside Collegiate Academy has not been and is not currently being investigated by the South Carolina Office of Inspector General.

If you have any questions for me, please feel free to ask.

Thank you,

Tyler



Tyler R. Turner, Esq.
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From: Lamkin, Brian <BrianLamkin@oig.sc.gov>
Sent: Thursday, August 5, 2021 11:50 AM
To: Tyler Turner <tturner@turnercaudell.com>
Subject: RE: [External] Telephone call

Just got back into office. I have time now if you do.

803-896-1287

From: Tyler Turner <tturner@turnercaudell.com>
Sent: Thursday, August 5, 2021 11:04 AM
To: Lamkin, Brian <BrianLamkin@oig.sc.gov>
Subject: [External] Telephone call

Brian,

I hope you're well. Do you have a few minutes for a telephone call related to a charter school issue? If so, what day and time would be most convenient for you?

Thank you,

Tyler



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August 17, 2021

VIA E-MAIL

Mr. Brian D. Lamkin, Inspector General
State of South Carolina
Office of Inspector General
111 Executive Center Drive, Suite 204 (Enoree Building)
Columbia, SC 29210

Re: Oceanside Collegiate Academy

Dear Mr. Lamkin:

Our firm represents Oceanside Collegiate Academy (“OCA”), a South Carolina nonprofit corporation and public charter school located in Mount Pleasant, South Carolina. The OCA Board of Directors (“OCA Board”) recently reviewed and discussed your July 12, 2021, letter to Governor McMaster, which summarized your office’s limited scope review of the use of state funds by three South Carolina charter schools, including OCA.

Initially, the OCA Board was not contacted regarding the limited scope review and is concerned that your office may have been provided with inaccurate information regarding OCA. As such, the purpose of this correspondence is to provide you with accurate information regarding OCA, the scope and purpose of Charter Institute at Erskine’s (“Institute”) engagement of Prestige School Solutions, LLC (“Prestige”), and OCA’s relationship with Pinnacle Charter School Management Group (“Pinnacle”).

(1) The Institute previously inaccurately portrayed to the Governor, Lieutenant Governor, twenty-six legislators, the State Superintendent of Education, and several state officials that Prestige performed a forensic audit of OCA and produced an audit report. Since your letter references an audit and audit report performed by Prestige, it is important to the OCA Board that you understand the true nature and scope of Prestige’s work. Prestige has not performed an audit of OCA’s finances, much less a forensic audit, or issued an audit report on OCA. Rather, the Institute engaged Prestige to quantify “Questioned Costs” identified by the Institute, meaning that Prestige was given a pre-determined mission by the Institute that was not objective. Further, Prestige’s report explains that Prestige did not reach any conclusions about whether the “Questioned Costs” were appropriate. Prestige candidly explained in its report that Prestige is “not a registered certified public accounting firm or auditor,” that Prestige has “not been engaged to conduct an audit of OCA,” and that Prestige’s engagement by the Institute is “not ... an attest engagement.” Moreover, no one from Prestige has ever contacted the OCA Board. On the other

hand, OCA engages a reputable Certified Public Accountant audit firm, Elliott Davis, LLC (“Elliott Davis”), to audit its finances every year. Elliott Davis utilizes audit procedures in performing audits of OCA’s finances. OCA has received several consecutive years of clean annual audits from Elliott Davis.

(2) As referenced in your letter, the Institute attempted to place OCA on “Emergency Fiscal Watch.” However, under State law, only the State Superintendent of Education has statutory authority to declare “Fiscal Watch.” S.C. Code Ann. § 59-20-90. While the OCA Board is addressing this matter directly with the Institute, the OCA Board believes it is important for your office to know that the OCA Board has not been contacted by Superintendent Spearman nor has the OCA Board been informed that Superintendent Spearman has delegated her statutory authority to declare “Fiscal Watch” to the Institute.

(3) Your letter mentions that your office identified serious concerns about the delegation of authority and fiduciary duty by the Board of Directors for the three charter schools. To the extent your concerns pertain to OCA, the OCA Board is not familiar with your concerns. Your letter describes a contract provision at another school that works with OCA’s management organization, Pinnacle. However, that contract provision does not apply to OCA. Specifically, OCA’s Management Services Agreement with Pinnacle, which was approved by the OCA Board and the Institute’s Board of Directors with OCA’s charter, states “The Board shall determine the depository of all funds received by the OCA. Signatories on the depository account shall be current Board members or their designees.” Additionally, the OCA Board has not delegated its right to review, consider, and approve proposed contractual arrangements to Pinnacle or anyone else. Your letter does not mention any specific concerns related to OCA inappropriately delegating authority or fiduciary duties, and the OCA Board is not aware of any such concerns.

(4) With regard to the employer contributions of fringe benefits finding, it is the OCA Board’s understanding that the “3180 funds” issue described in your letter could impact all charter schools in South Carolina and is not specific to OCA, the three schools mentioned in your letter, or Pinnacle.

(5) The OCA Board desires to clarify that OCA has not utilized EB-5 financing for its school facility. The OCA Board also thought it would be helpful to inform you that OCA’s relationship with Pinnacle has saved OCA and South Carolina taxpayers hundreds of thousands or millions of dollars in school facility costs.

As background, South Carolina does not provide its charter schools with any significant source of funding for school facilities. As a result, South Carolina charter schools are forced to navigate capital markets for themselves to attempt to obtain school facility financing. New charter schools with little or no operating history, credit, cash, or assets are typically not eligible to borrow from or through “traditional” charter school facility lending sources (e.g. the United States Department of Agriculture Community Facility Programs, the South Carolina Jobs-Economic Development Authority, commercial bank loans, etc.). Accordingly, new charter schools must typically suffer the limitations and risks associated with leasing facility space (to the extent suitable facility space that meets the Office of School Facilities’ stringent requirements is

Mr. Brian D. Lamkin, Inspector General

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available for rent in the school's market at an affordable price) and/or turn to high-cost, out-of-state or out-of-country developers and financiers to develop a school facility. Such development transactions often involve high interest rates, high fees, and significant expenses, which ultimately cost South Carolina taxpayers millions of dollars. Although such school facility development transactions are typically undesirable to charter schools, South Carolina has not given its charter schools better options to develop school facilities.

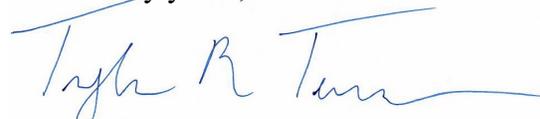
Fortunately for OCA and South Carolina taxpayers, Pinnacle's proven successful model helped OCA, as a new charter school at the time, secure bond financing for a school facility through the South Carolina Jobs-Economic Development Authority, which saved OCA and South Carolina taxpayers hundreds of thousands or millions of dollars in school facility costs. This opportunity was available to OCA because of its relationship with Pinnacle. Specifically, OCA's bondholders were familiar with Pinnacle's proven successful model and therefore agreed to work with OCA as a new school. Thankfully, because of OCA's relationship with Pinnacle, OCA did not have to utilize EB-5 financing or suffer an unreasonably high-cost development for its school facility, which saved OCA and South Carolina taxpayers money.

With Pinnacle's assistance, the OCA Board has established one of the best charter schools in the State of South Carolina. While no organization is perfect, OCA has produced outstanding academic results for several consecutive years, received positive ratings on State Report Cards, helped its students obtain millions of dollars collectively in college scholarships, received clean audits from a very reputable CPA audit firm, is in excellent financial condition, and is fully enrolled with a significant waitlist. The OCA Board believes that recent public threats in the Post & Courier by the Institute's CEO, Cameron Runyan, to revoke OCA's charter are reckless and dangerous for education in South Carolina and students and families in Mount Pleasant.

In closing, on a personal note, I have always enjoyed working with you and the professionals in your office. I hope the information in this letter is helpful and provides a better understanding of the facts related to OCA. If you have any questions related to OCA, please feel free to contact me or the OCA Board.

With kind regards, I am

Sincerely yours,



Tyler R. Turner

tturner@turnercaudell.com

/s/ws

c : The Honorable Henry D. McMaster, Governor of South Carolina
The Honorable Molly Spearman, State Superintendent of Education
Oceanside Collegiate Academy Board of Directors
Sarah Timmons, Esq.