



PUBLIC SCHOOLS OF NORTH CAROLINA

DEPARTMENT OF PUBLIC INSTRUCTION | Catherine Truitt, *Superintendent of Public Instruction*

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December 11, 2023

Ms. Wilma Troublefield, Board Chair
Jessica Jones, Principal
Children's Village Academy (54A)
701 North Adkin Street, Kinston, NC 28501

Dear Ms. Troublefield and Ms. Jones,

The Office of State Auditor received four allegations concerning Children's Village Academy. OSA requested NC DPI follow-up on the allegations. The results of the review are contained in this report.

Per the charter agreement, DPI has the right to examine and copy all records, reports, documents, and files relating to any activity, program, employee or student of the Public Charter School. DPI also has the right to access records related to Federal Grant funds through 2 C.F.R 200.337.

Background

The State Board of Education granted a license to The Children's Village Academy Foundation, a nonprofit, to operate The Children's Village Academy, a public charter school. Public charter schools are required to be operated by the Board of Directors of the non-profit corporation in accordance with G.S. 115C-218.

The Board Member discussed in this report is still on the Board and the independent contractor discussed in this report currently provides services to the school, as of the publication of this report.

Key Findings

- A conflict of interest existed for the Board Member who was reimbursed for furnishings to be used by the 21st Century Community Learning Centers Grant (21st CCLC) program in a property partially owned by the board member and leased to CVA.
- CVA 21st CCLC in the amount of \$5,003.12 were used for unallowable costs. CVA must repay the U.S. Department of Education through NC DPI out of local funds.
- CVA did not obtain prior approval or update their inventory listing as required for the 21st CCLC program for these types of purchases.
- CVA did not provide written evidence of compliance with their conflict of interest policy related to independent contractors and background checks. Management indicated that the required action has since been taken.

NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION

Alex Charles, *Federal Programs Director* | Alex.Charles@dpi.nc.gov

Shirley McFadden, *Monitoring & Compliance Manager* | Shirley.McFadden@dpi.nc.gov

6301 Mail Service Center, Raleigh, North Carolina 27699-6301

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER



Recommendation

CVA is required to:

1. Prepare a corrective action plan signed by the Executive Director/Principal and Board Chair to address required actions identified in the Findings and Recommendations Section. Remit by January 5, 2023.
2. Repay the questioned costs of \$5,003.12 by January 5, 2023, out of local funds.
3. Submit information and evidence of the corrective actions taken for the internal control deficiencies identified in the attached report by January 19, 2023. Please submit all requested documentation, to Michael Jordan at Michael.Jordan@dpi.nc.gov.

Appeal Process

In accordance with federal rules and related to the federal purchases, NCDPI provides applicants or recipients with the opportunity for a hearing to appeal NCDPI's final action under an applicable federal program. See 34 C.F.R. § 76.401(a).

Specifically, under C.F.R. § 76.783 and 20 U.S.C. 1231b-2., the applicant or recipient must allege that NCDPI violated State or Federal law, rules, regulations, or guidelines in:

- 1) disapproving or failing to approve its application or program in whole or part,
- 2) failing to provide funds in amounts in accord with the requirements of laws and regulations,
- 3) ordering, in accordance with a final State audit resolution determination, the repayment of misspent or misapplied Federal funds, or
- 4) terminating further assistance for an approved program.

No other grounds for appeal will be accepted or considered.

To request a hearing, the appellant must file a full and complete written appeal, including the issue(s) in dispute, the legal authority or other basis for the appeal position, and the remedy sought within 30 days of the NCDPI's action (e.g., notification of any action under 1 through 4 above).

If applicable, please send your appeal to Jennifer.Bennett@dpi.nc.gov.

Sincerely,

Alex Charles, NC DPI Director Federal Program Monitoring and Support Division

Shirley McFadden, NC DPI Monitoring and Compliance Manager

c: Jennifer Bennett, NC DPI Director of School Business



Public Schools of North Carolina
State Board of Education | Department of Public Instruction

Ashley Baquero, NC DPI Director Office of Charter Schools



54A FY24 Children’s Village Academy Allegations from OSA

Background

The North Carolina Department of Public Instruction (DPI) initiated a review in response to three allegations received from the Office of State Auditor regarding 54A Children’s Village Academy (CVA). The allegations relate to:

1. A CVA Board Member’s misuse of 21st CCLC Grant funds for personal use. (Allegation 1)
2. A maintenance supervisor, found to be the Operations Manager, that is on contract. The allegations state that the contractor is related to a Board Member, not qualified for the position, and a convicted felon that should not be allowed on school property. (Allegation 2)
3. A CVA Board Member’s misuse of Children’s Village Academy funds to purchase a 3D printer for personal use. (Allegation 3)
4. The Operations Manager allegedly had access to the 3D printer and was arrested for having an illegal firearm. It is alleged the firearm was 3D printed. (Allegation 4)

Our review procedures included the following:

- Review of applicable policies and procedures.
- Examination and analysis of applicable procurement documentation related to the allegations.
- Requests for various documents.

This report presents the results of the review.

The Children’s Village Academy Foundation, a nonprofit, was granted a license by the State Board of Education to operate The Children’s Village Academy, a public charter school. Public charter schools are required to be operated by the Board of Directors of the non-profit corporation in accordance with G.S. 115C-218.

The Board Member discussed in this report is still on the Board and the independent contractor discussed in this report currently provides services to the school, as of the publication of this report.

Findings and Recommendations

1.1 Conflict of Interest (Related to Allegation 1)

The allegation stated that a CVA Board Member misused 21st Century Community Learning Centers Grant (21st CCLC) funds for personal use. The CVA Board Member purchased and was reimbursed for furnishings for CVA that were used to furnish a property used by the 21st CCLC program for 2 months each summer. The furnishings, include among other items: dining room tables, dining room chairs and decorative items including a wall mirror and pillows. The CVA Board Member is also the owner of the property, which is rented by CVA for the 21st CCLC program where these furnishings are located.

The CVA Board member’s purchase, for furnishing to be used in a property that the CVA Board member owns and rents back to CVA, creates a conflict of interest. The property, where a majority of the



furnishings are maintained and used, is leased by CVA for only 2 months each year as part of a summer program.

The CVA Board has a conflict of interest procedure in place to prevent a board member, management or staff with a conflict of interest from taking part in a procurement transaction that results in a financial interest. This transaction may be considered of a financial interest, in that the property has been furnished but is only rented to the school for 2 months out of the year. The transaction may also be considered a conflict of interest from a non-financial perspective in that the owner of the property may be perceived to be influenced by preferences related to furnishing their personal property rather than the needs of the 21st CCLC program.

Recommendations:

1.1 To mitigate the risk of actual or perceived conflicts of interest from occurring and to ensure the best interest of the charter school, the CVA Board should address conflict of interest procedures when a decision relates to real property where a conflict of interest exists with a board member, management, or staff member. The policy should:

- Address decisions that impact the property including the purchase of furnishings, improvements, repair, or upgrades to the facility.
- Address decisions that could present a financial or nonfinancial interest.

1.2 Unallowable Costs Charged to 21st CCLC Grant Funds (Related to Allegation 1)

The allegation stated that a CVA Board Member misused 21st CCLC Grant funds for personal use. Additional information provided in the allegation stated that the Board Member justified furnishing her personal property by bringing the students on an overnight field trip to the property.

There is no evidence of an overnight field trip to a personal property. However, between the 2017-2018 and 2019-2020 school year, furniture related purchases totaling \$5,003.12 were charged to the 21st CCLC Grant program, of which the CVA Board Member, identified in the allegation, was reimbursed \$4,438.42.

The CVA Board Member purchased several of the unallowable furnishings in the State of Maryland and received reimbursement from the 21st CCLC Grant funds for the furnishings. Other purchases were made and delivered in North Carolina. The CVA Board Member confirmed that the furnishings purchased in Maryland were shipped to North Carolina and are currently being used in a property that is rented by CVA for the 21st CCLC program. The property is currently partially owned by the CVA Board Member that purchased the furnishings and received reimbursement.

DPI verified that several of the furnishings are located in the property that is rented by CVA for the 21st CCLC program, with the exception of a few items:

- Wingback chairs, which were found in the CVA administrative building.
- Metal frame leather chair, was found in the school library on the Dixon St. campus.
- Vizio 55” HDTV with 4-year warranty. Unable to identify item location during site visit. Although requested, no additional information has been provided to substantiate the location of the TV.

The expenditures related to furnishings, in the amount of \$5,003.12, are unallowable costs to the 21st CCLC Grant program. Furniture may be allowable with 21st CCLC funds if the furniture is both



reasonable and necessary to meet the goals and objectives of the grant and is also included on the Furniture & Equipment tab of the subgrantee's approved Budget 208. Per contracts for the property where the furnishings are used, the property is only used for 2 months out of the year. The furnishings in question are also not a reasonable purchase as they are typically found in a household, they are not furnishings typically found in an academic setting. Of the \$4,438.42 reimbursed to the CVA Board Member:

Unallowable purchases made in the State of Maryland and either picked up or delivered to an address in Maryland, and subsequently delivered to CVA included:

- Value City Furniture (MD) – 40” x 112” table \$524.99
 - Receipt states shipped to the Board Member and a delivery address in Maryland.
 - Hand-written note states for a “computer desk”. This is a dining room table. Per CVA management students sit around the table to do their work.
- Tuesday Morning (MD)– mirror, clock tower, decorative accessories, including colorful cows, book boxes, and flowers \$175.55.
- Pier 1 (MD) – (2) wingback chairs \$652.94. These chairs were located in the CVA administration building.
- HomeGoods (MD) – furniture and decorative accessories, including pillows, lamps, wall art \$1,977.85. Verified existence of items in the property, with the exception of the pillows.

The unallowable purchases picked up in North Carolina (NC) or delivered to CVA in Kinston included:

- Pier 1 (MD) – (8) dining chairs \$893.60
 - Per documentation, shipped to the Operations Manager, the Independent Contractor, at the CVA ‘Technology Center’, one of the two properties rented for 21st CCLC. This furnishing was found in the other property.
- Kinston Outlet – un-itemized purchase with a dollar \$213.49
 - Hand-written note states it is a table used for the other property owned partially by a board member and rented to CVA for 21st CCLC. Management identified this purchase as a cabinet found in the dining room of the property.

While reviewing the expenditures, DPI also identified an additional item purchased that was unallowable which is included in the total unallowable costs:

- Sam’s Club – Vizio 55” HDTV with 4-year warranty \$564.70. Unable to identify item location during site visit. Although requested, no additional information has been provided to substantiate the location of the TV.

The reimbursements were approved by the Principal of CVA, and the checks are required to be signed by two board members. The Finance Officer is required to sign an invoice log indicating a review of the reimbursements as well. Even with these procedures in place, the unallowable costs were approved. Further, CVA informally approves purchases verbally, no requisitions are used to document the need or pre-approval, and the 21st CCLC Director does not have to document their review or approval of purchases made with the 21st CCLC funds.

Recommendation:

1.2 CVA is required to:



1. Repay 21st CCLC program funds to the U.S. Department of Education through NC DPI in the amount of \$5,003.12 using local funds.
2. For the purposes of this report, create an inventory of all furnishings owned by CVA in the properties rented for the 21st CCLC program. Indicate the source of funds ultimately used to pay for furnishings. This inventory should eventually include inventoriable items in all of the properties partially owned by the Board Member that are rented to CVA.
3. The CVA Board should ensure an effective control environment is established and supported by strong written policies and procedures, including those pertaining to approvals and authorizations, segregation of duties, and consistent monitoring by the CVA BOD to ensure that Board Member reimbursements are properly reviewed by the Executive Director and another Board Member(s) to ensure allowability and reasonableness for the program funds and to ensure no one person has control over all parts of the financial management of the grant and/or organization.

CVA management should include the 21st CCLC Program Director in the approval process to ensure costs are allowable, reasonable, and necessary for the program.

1.3 21st CCLC Program Approval and Inventory Requirements Not Followed (Related to Allegation 1)

CVA did not comply with 21st CCLC required program procedures. The items purchased were not:

- Pre-approved. Furniture and Equipment is required to be included on the 'Furniture and Equipment' tab of the Budget 208 for review and approval prior to purchase. This is required and stated in the NCDPI 21st CCLC Grant Guidance.
- Listed on any of the Inventory Listings submitted by CVA as required by NCDPI. Inventory Listings are required as evidence that accurate property records of all furniture and equipment purchased with 21st CCLC are being maintained. This is required and stated in the NCDPI 21st CCLC Grant Guidance.

CVA was first awarded 21st CCLC grant funds beginning the 2014-2015 school year (Cohort 11), operating both a school-year and summer program each year through the present, currently operating in their third and final year of Cohort 15.

21st CCLC subgrantees must annually submit a final budget (Budget 208) for the full amount of the award by line-item detail for review and approval by NCDPI prior to the release of the funds. Grant funds may be used only to cover costs that (1) comply with the approved grant application and budget and (2) are reasonable and necessary for the proper and efficient performance and administration of the grant. All expenditures must clearly relate to activities described in the program design section of the SBE-approved application. (NCDPI Grant Guidance Section 2: Fiscal Management)

In addition, all furniture and equipment purchases must be itemized on the "Furniture and Equipment" tab of the subgrantee's Budget 208 that is submitted to NCDPI for review and approval. Property records must also be maintained that include a description of the property, a serial number, the acquisition date, the cost of the property, the location, use, and any ultimate disposition data including the date of disposal and the sale price of the property. (NCDPI Grant Guidance 2.C.5: Equipment & Supply Purchases)

The items purchased are not included in the itemized furniture and equipment information and do not comply with the approved grant application and budget, nor are they reasonable and necessary for the



proper and efficient performance and administration of the grant and as noted in the previous issue, are therefore considered unallowable costs in the amount of \$5,003.12 that must be repaid to NCDPI.

Recommendations

1.3 The CVA Board should ensure an effective control environment is established and supported by strong written policies and procedures, including those pertaining to pre-approvals and inventory requirements of the 21st CCLC program.

2.1 Conflict of Interest with Service Provider (Related to Allegation 2)

The allegation stated that a Maintenance Supervisor, referencing the Operations Manager, that is on contract is related to a Board Member.

DPI confirmed that the Operations Manager, an independent contractor at CVA, is the son of one of the Board Members.

Per 4.3.2(a) of the charter agreement:

The Nonprofit board of directors shall adopt and ensure compliance with a conflict of interest and anti-nepotism policy. This policy shall include, at a minimum, the following provisions:

1. (a) Prior to employing any immediate family, as defined in G.S. 115C-12.2, of any member of the board of directors or a charter school employee with supervisory authority shall be employed or engaged as an employee, independent contractor, or otherwise by the board of directors in any capacity, such proposed employment or engagement shall be:
 - (i) disclosed to the board of directors and
 - (ii) approved by the board of directors in a duly called open - session meeting.
- (b) The burden of disclosure of such a conflict of interest shall be on the applicable board member or employee with supervisory authority. If the requirements of this subsection are complied with, the charter school may employ immediate family of any member of the board of directors or a charter school employee with supervisory authority.

DPI requested evidence of the background check and open session meeting. In an email response from the Finance Officer, DPI was advised that the independent contractor did not have a criminal background. Subsequently in a meeting, the related Board Member also stated that the independent contractor did not have a criminal background.

The contract for the independent contractor was approved in July 2023. No documented evidence was provided to substantiate a criminal background check was done at that time. However, during the time of this review, CVA ran a background check dated October 9, 2023, and stated that they presented this information in an open session to the CVA Board in the November 2023 meeting. A copy of the background check was provided to DPI by CVA management. The background indicated a misdemeanor that the independent contractor was guilty of and another recent charge that was dropped but no felonies. CVA stated that the Board voted to maintain the contract.



While the proper procedure has now been followed, no evidence was provided that their procedures were followed prior to this request.

Conflict of interest procedures are in place to ensure fair and proper procedures are followed throughout the hiring process and throughout the delivery of services.

Recommendations

2.1 The CVA Board should ensure conflict of interest policies are followed prior to contracting for services and consult the Board Attorney as needed to ensure compliance with policy and validity of the contract.

2.2 Allegations Relate to Management and Board of Director Decisions (Related to Allegation 2)

The allegation stated that the Operations Manager is not qualified for the position. DPI did not review or conclude on any findings related to the experience of the independent contractor that is the Operations Manager, as there are no specific experience requirements established by laws related to the maintenance positions at a school. This is a management decision.

Another allegation stated that the Operations Manager is on contract and who is a convicted felon that should not be allowed on school property. A copy of the background check was provided to DPI. The background indicated a misdemeanor that the independent contractor was guilty of and another recent charge that was dropped but no felonies. The local board is responsible for determining whether the results of a criminal background check result in denying or approving an independent contractor. A criminal background does not preclude the Board of Directors from approving the contract as this is a management decision and the local board is responsible for determining the results of the review.

Recommendation:

2.2 The CVA Board of Directors should run a detailed criminal background check on the independent contractor annually, in compliance with their Conflict of Interest Policy, before approving the contract each year.

3.1 Recommend Allegation be Referred to Local Law Enforcement (Related to Allegation 3 and 4)

The allegation stated that the Vice Board Chair misused funds by purchasing a 3D printer. The complainant stated that the 3D printer was only used by the Operations Manager and the complainant alleged that the Operations Manager was allegedly arrested for having an illegal firearm. It is alleged by the complainant that the firearm was 3D printed.

DPI confirmed that a 3D printer was purchased by the school using Federal Funds. DPI also confirmed the use of the 3D printer and verified the existence of the printer's location on the school's campus. The 3D printer's use and costs are allowable for the program it was purchased for. No further review was performed as the scope and nature of the allegation is beyond the purview of DPI.



The CVA Board stated that they identified a gun charge on the criminal background check. The CVA Board provided a copy of the criminal background check showing the charges were dismissed. The CVA Board stated that this was after a permit to carry was provided.

Recommendation:

3.1 DPI recommends that the CVA Board share the allegation and concern with local law enforcement.