

STATE AUDITOR OF OKLAHOMA REGARDING EPIC CHARTER SCHOOLS: “THE LARGEST AMOUNT OF REPORTED ABUSE OF TAXPAYER FUNDS IN THE HISTORY OF THIS STATE”

The State Auditor of Oklahoma said she believes that the charter school in question was intentionally established to “‘milk for profits—as the Enron of public education’.” The auditor’s statement is right on target. The for-profit charter school operators are in business, not for the education of students, but to make a buck. State officials in Ohio have not figured that out or maybe they would have eliminated the for-profit charter industry. Ohio’s charter school industry has a long history of fraud and corruption that should embarrass all state officials.

State auditor to lawmakers: Epic Charter Schools mismanagement is largest abuse of taxpayer funds 'in the history of this state'

Andrea Eger Feb 2, 2022 Updated 13 hrs ago 1

Cindy Byrd (copy) (copy)

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OKLAHOMA CITY — Oklahoma’s state auditor and inspector on Tuesday said mismanagement by co-founders of Epic Charter Schools is “the largest amount of reported abuse of taxpayer funds in the history of this state” — and she has no idea why the attorney general has not brought criminal charges in the case.

The Oklahoma State Bureau of Investigation confirmed to the Tulsa World on Tuesday afternoon that it has just completed its years-long investigation and turned it over to the Oklahoma Attorney General’s Office for review.

“I am shocked this hasn’t been prosecuted yet,” State Auditor Cindy Byrd told lawmakers at a joint meeting of the Oklahoma House of Representatives’ common education committee and Appropriations and Budget education subcommittee. “I do expect charges to be filed — or an explanation for why charges will not be filed.”

Attorney General John O’Connor, who was appointed to office in late July by Gov. Kevin Stitt, went on Tulsa radio station KRMG on Jan. 20 and said he was still waiting for the OSBI’s report but expected an update within 10 days.

Asked Tuesday afternoon for a comment or status update, O’Connor’s press secretary told the Tulsa World: “We cannot comment on open investigations.”

Amid these new questions about inaction by state law enforcement, federal authorities including the Internal Revenue Service are reportedly now zeroing in on financial irregularities alleged to have occurred at Epic Charter Schools during the decade it was managed by co-founders Ben Harris and David Chaney.

Byrd had been asked to present her office’s forensic audit findings about Epic before the two House education committees.

Byrd, a Republican serving her first term in elected office, noted that she accepted no campaign funds from education political action committees and has nothing against charter schools, parent choice in education or even free market enterprise.

She likened charter schools like Epic, which she described as “intentionally established” for charter school management companies to milk for profits — as the “Enron of public education.”

“Wow. It gets worse and worse,” said Rep. Kyle Hilbert, R-Bristow, at the conclusion of Byrd’s presentation.

Two Oklahoma City men, Chaney and Harris, co-founded Epic One-on-One statewide virtual school and Epic Blended Learning Centers in Tulsa and Oklahoma counties, and then ran the Epic school system for a decade through their for-profit school management company called Epic Youth Services.

Combined, Epic Charter Schools was Oklahoma’s largest public school system in 2020-21, when the pandemic prompted its enrollment to surge to around 60,000 students.

Byrd said inaction by law enforcement and the lack of new legal safeguards by the Legislature allowed Chaney and Harris to siphon off tens of millions more in taxpayer dollars under false pretenses since her office first issued its findings on Oct. 1, 2020.

She said she had personally given documentation to the Attorney General’s Office that proved EYS submitted false invoices in order to justify much of the 10% cut of all state and federal funding it took from the schools.

That amounted to \$68 million total since 2015.

When several lawmakers asked why no criminal prosecution has occurred in the case, Byrd said of the Attorney General’s Office: “I just don’t know where they are.”

Byrd said all along, Epic Charter Schools was limited by state law to spending no more than 5% of its taxpayer dollars on administrative costs. And Chaney and Harris hired an entire administrative staff at the schools, at public expense, to do the work their for-profit management company invoiced the school for.

She said that is the very definition of embezzlement.

Byrd’s office is also still involved in a district court battle to obtain access to information about how at least \$145 million in public money Epic allocated for its student Learning Fund, which EYS took into its private bank accounts and expended using personal credit cards, was spent between since 2015.

Rep. Danny Williams, R-Seminole, asked whether there was any way to “freeze” the accounts containing public school student funds.

“I’ve asked for that. This is students’ money,” Byrd said, before referring to how long ago she reported on the matter in her office’s official audit report. “I’ve been ringing this bell since Oct. 1, 2020.”

Byrd looked over at Paul Campbell, the new chair of Epic Charter Schools’ governing board, who was seated nearby, and said he told her Epic was just informed by the IRS that it is now under federal audit.

“If the IRS comes in, I believe they will find it as egregious as we do,” said Byrd, adding that EYS has claimed in district court that the student Learning Fund became private money when it was transferred into private business accounts.

In late May, Epic’s governing board was overhauled and voted to cut all ties between the schools and Epic Youth Services.

EYS has since sued Epic for more money and Epic has countersued. That matter is still pending in district court.

Rep. John Waldron, D-Tulsa, asked how none of the Epic schools’ authorizers, nor the state Board of Education, law enforcement, or the Legislature has been able to put a stop to so much wrongdoing over the course of so many years.

Byrd said she believes it is worth noting that it took forensic auditors to suss out what annual financial statement audits required for all schools do not check for.

She said she is not aware of any forensic auditor on staff at the Oklahoma State Bureau of Investigation, which had been investigating allegations of financial wrongdoing at Epic for six years. And charter school sponsors in the state, which received a total of \$10 million last year, had not been using any public funds they receive to check for schools’ compliance with state and federal laws previously.

“This was just a very complex scheme that was hidden,” Byrd said.

Several lawmakers inquired what new policies or changes in state law could prevent such activity in the future.

Rep. Hilbert zeroed in on the question of how Epic’s managers could use personal credit cards for public school student expenditures.

“If this is an air miles card, the owner of the card could fly free the rest of their lives,” he said. “Or if it’s a 2 percent cash back card, that’s \$20,000 for every \$1 million spent.”

Byrd responded that state law against such practices do not currently apply to school employees, “ so that may be worth looking at.”

Rep. Brad Boles, R-Marlow, and Rep. Melissa Provenzano, D-Tulsa, asked whether Oklahoma’s laws could be improved to better prevent conflicts of interest and nepotism with school vendors, employees, and even governing board members.

“It could always be made very clear,” Byrd responded.

https://tulsworld.com/news/local/education/state-auditor-to-lawmakers-epic-charter-schools-mismanagement-is-largest-abuse-of-taxpayer-funds-in/article_7d9f6fc4-83a6-11ec-9c66-836dae32ab96.html