

**Minutes of the
North Carolina Charter School Advisory Board
State Board Room 755, Department of Public Instruction
February 28, 2022
9AM
Special Called Meeting of the NC Charter School Advisory Board**

Attendance – CSAB Members	
Jamey Falkenbury (non-voting) Rita Haire – absent John Eldridge Cheryl Turner Hilda Parlér Shelly Bullard – absent	Eric Sanchez Terry Stoops Bruce Friend Lynn Kroeger Todd Godbey
Attendance – Other	
<i>Office of Charter Schools</i> Dave Machado, Director Ashley Baquero, Consultant Claire Porter, Consultant Joseph Letterio, Consultant (remote) Barbara O’Neal, NC ACCESS (remote) Davida Robinson, NC ACCESS (remote)	<i>Attorney General</i> Stephanie Lloyd Forrest Fallanca <i>SBE Attorney</i> Allison Schafer Shirley McFadden, NC DPI Sherry Thomas, NC DPI LaTricia Townsend, NC DPI

CALL TO ORDER

- The North Carolina Charter School Advisory Board (CSAB) meeting was called to order at 9:00 am by Chair Turner who read the Ethics Statement and CSAB Mission Statement. Mr. Terry Stoops led the Pledge of Allegiance.

Motion: Motion to approve today’s agenda.

Motion: John Eldridge

Second: Terry Stoops

Vote: Unanimous

☒Passed

☐Failed

- Ms. Ashley Baquero, OCS Consultant, explained that the delayed timeline the applicant West Triangle High School requested is not possible given the timeline was previously approved by the State Board of Education (SBE). To make it as clear as possible, SBE is requesting another vote for West Triangle High School on the standard timeline. Requesting an additional vote on this for a standard timeline.

Motion: Motion to recommend that West Triangle High School be moved forward to Ready to Open status on a standard timeline.

Motion: Bruce Friend

Second: Lynn Kroeger

Vote: Unanimous

☒Passed

☐Failed

CLOSED SESSION

Motion: A motion to move that the CSAB go into closed session pursuant to NC General Statute section 143-318.11(a)(3) to consult with our attorneys in order to preserve the attorney-client privilege between the attorneys and the public body. 9:05AM

Motion: Lynn Kroeger

Second: Hilda Parlér

Vote: Unanimous

☒Passed

☐Failed

Motion: Move that CSAB leave closed session pursuant to NC General Statute section 143-318.11(a)(3) and enter open session to adjourn. 10:15AM

Motion: Hilda Parlér

Second: Todd Godbey

Vote: Unanimous

☒Passed

☐Failed

- Ms. Turner, CSAB Chairwoman, specified that the special called meeting will be presented with usual decorum and will begin with an overview from Ms. Baquero, OCS consultant.

TORCHLIGHT ACADEMY COMPLIANCE PRESENTATIONS AND DISCUSSION

- Ms. Baquero gave an overview of today's presentations. She stated the Office of Charter Schools (OCS) would present, followed by Exceptional Children, Federal Programs, Financial Business Services, and Torchlight Academy representatives will address the CSAB.
- Ms. Baquero provided background on Torchlight Academy. She stated that the school began operations with the 1999 school year and serve grades K-8 in Wake County. According to the Charter School ADM system, 1st Month ADM (21-22 SY) was 601 students and Max ADM (22-23 SY), 781 students. Ms. Baquero stated the school is operated by Torchlight Academy Schools, LLC, and the Principal/Head of School is Dr. Cynthia McQueen.

- Ms. Baquero stated that in May 2015 the SBE approved the amendment to allow a management company agreement. She read the following excerpt from the Service Agreement to explain the relevant parties: *This Services Agreement ("Agreement") by and between Torchlight Academy Schools, LLC, a North Carolina corporation ("TAS"), and Northeast Raleigh Chartered Academy (D/B/A) Torchlight Academy, a North Carolina non-profit corporation (the "School") is effective this the 1st day of July 2015 (the "Effective Date")*.
- Ms. Baquero stated the Service Agreement includes a statement regarding revenue in Article VII which defines revenue as the following:
 - Funding for public school students enrolled at the School.
 - Special education funding provided by the federal and/or state government that is directly allocable to special education students enrolled at the School.
 - Gifted and talented funding provided by the federal and/or state government that is directly allocable to gifted and talented students enrolled at the School.
 - At-risk funding provided by the federal and/or state government that is directly allocable to at-risk students enrolled at the School.
 - Funding provided by the federal and/or state government that is directly allocable to students enrolled at the School with limited English proficiency.
 - All other federal and/or state grant sources, including, but not limited to, Title I and any start-up funding allocable to the School.
 - All other grants and donations received by the School to support or carry programs at the School (except to the extent TAS is not required or involved in soliciting, administering or managing the contribution and/or donation, in which case such funds shall be deposited in the Board Spending Account (as defined below)).
 - Fees charged to students as permitted by law for extra services provided by TAS as approved by the Board.
- Ms. Baquero reviewed Section E of the Service Agreement regarding fee. She stated it included the following provisions:
 - TAS shall receive all Revenues as its services fee (the "Fee"), from which it shall pay all operating costs of the School as detailed in the Budget.
 - TAS and the Board acknowledge that operating costs may include an administrative fee payable to the Authorizer as set forth in the Charter.
 - Payment of the fee shall be made on the same frequency that the School receives its Revenues.
 - TAS (EMO) shall be entitled to retain as compensation for the Services the difference, if any, between the Fee and the amount actually expended by TAS in operation and/or management of the School during the School's fiscal year.
- Ms. Baquero explained that the current Charter Agreement term runs from July 1, 2014 to June 30, 2024. She stated the Charter Agreement/License was granted to Northeast Raleigh Charter Academy, Inc., the nonprofit Board authorized to operate Torchlight Academy. Later, in May 2015 SBE approved the amendment to allow a management company agreement. She stated regardless of a charter school choosing to use a management company, the license is always granted to a nonprofit board with ultimate responsibility to ensure compliance with the agreement. She specified that this does not preclude the Charter Agreement.
- Ms. Baquero reviewed specific sections of the Charter Agreement granted to Northeast Raleigh Charter Academy, Inc., including provisions requiring a conflict of interest and nepotism policy.

- She continued to review sections of the Charter Agreement requiring compliance with other laws and requirements as it relates to Children with Special Needs. Section V.
- Ms. Baquero specified Section 9 of the Charter Agreement speaks to Exceptional Children. Ms. Baquero reviewed General Statute 115C-218.15 which applies to all charter schools and mandates conflict of interest policies and procedures. Ms. Baquero stated that per information provided by TLA in its 1/10/22 submission, a conflict of interest existed:
 - 2020-2021 staffing information disclosed:
 - Shawntrice Andrews is listed as the EC Director with an annual salary of 65k and responsibility of “oversee special education department.”
 - Cynthia McQueen is listed as Administrator with an annual salary of 160k and responsibility of “provide overall management and supervision.”
 - Donnie McQueen is listed as Administrator with an annual salary of 160k and responsibility of “provide overall management and supervision.”
- Ms. Baquero stated that this staffing would trigger the conflict of interest requirements given they are all immediate family. Ms. Baquero explained that TLA provided a memorandum signed by Don McQueen and Board Chair Dr. Banks Lee, dated 1/19/22, stating that the Board is and has been aware of the familial relationships between Mr. McQueen, Dr. McQueen, and Ms. Andrews. The memorandum referenced the letter from Dr. Banks Lee to the then OCS Director, dated 12/30/14, which explained the Board’s desire to partner with TLA LLC, owned and operated by the McQueens. She stated that no nonprofit minutes provided that discuss a triggered conflict of interest or evidence the requirements under 115C-218.15 related to conflict of interest.
- Ms. Baquero reviewed the timeline of the matter coming before CSAB:
- November 19, 2021
 - CSAB requests Torchlight appear at its 12.7.21 meeting to respond to noncompliance findings in the administration of Exceptional Children (EC) programs.
 - Torchlight requested a delay of this meeting which was denied.
- December 7, 2021 CSAB Meeting
 - Representatives from both the Department of Public Instruction’s EC Division and Torchlight presented information regarding Torchlight’s EC program noncompliance. Based on the information presented, CSAB recommended to the State Board of Education that Torchlight be placed on Level 2 Governance Probationary Status pursuant to 16 NCAC 06G .0506(b)(2).
 - CSAB Findings →
 - Grossly negligent administrative oversight of the EC program;
 - Failure to properly implement the Individualized Education Program process as mandated by the Individuals with Disabilities in Education Act;
 - Alteration and falsification of EC student records;
 - Lack of federally mandated “Maintenance of Effort” for the previous three (3) consecutive years;
 - Inability and/or failure to provide access by NCDPI EC staff to EC student and finance records when requested;
 - Lack of qualified staff in the EC program;
 - Falsely reporting staff’s compliance with Every Child Accountability and Tracking System (ECATS) training; and

- Failure to provide all documentation requested by DPI’s EC Division.
- The State Board of Education called a special meeting 12.16.21 to discuss CSAB’s recommendation. The SBE found:
 - *Because of the severity of Torchlight’s conduct, the Board finds that Torchlight has demonstrated a substantial failure to comply with the IDEA and Article 9 of Chapter 115C of the North Carolina General Statutes These findings justify placing Torchlight on **Level Three Sanctions** under North Carolina General State Section 115C-107.4(d)(3). The State Board further takes the following enforcement sanction under G.S. 115C-107.4(d)(3)(ii): **Placing Torchlight on Level 3 Governance Probationary/Noncompliance Status** under State Board of Education administrative regulation 16NCAC 06G.0506(b) (3).*
- On January 6, 2022, the SBE found that Torchlight Academy has failed to remedy its identified deficiencies in the delivery of special education services by the State Board’s deadline of 9:00 a.m. on Wednesday, January 5, 2022, and that this matter be remanded to the Charter Schools Advisory Board (CSAB) for further investigation on the issues of:
 - Possible misuse or misappropriation for personal use of federal and state funds, including grant funds;
 - Governance concerns, specifically regarding potential lack of oversight by the Torchlight Academy board of directors of the use of funds and the provision of services to students;
 - Potential conflicts of interest generated by Mr. McQueen and/or Dr. Cynthia McQueen acting both on behalf of, or in lieu of, the board of directors Torchlight Academy and the Torchlight Educational Management Organization in ways that benefited them personally;
 - And further to make a recommendation to the State board of Education about as to whether Torchlight Academy’s charter should be revoked or other sanctions imposed, in light of the documented deficiencies in the provision of special education services and other evidence presented;
 - And further, that the disbursements of all federal funds under the control of Mr. McQueen and all schools operated by the Torchlight Academy Schools LLC be temporarily frozen during the ongoing investigation and proceedings regarding those schools and that state funds continue to be allocated on a monthly basis.
- The SBE approved a motion to amend the State Board’s January 6, 2022, directive that the disbursements of all federal funds under the control of Mr. Don McQueen and all schools operated by the Torchlight Academy Schools LLC be temporarily frozen during the ongoing investigation and proceedings regarding those schools.
- The approved amendment is to allow DPI to use federal funds, in its discretion and as appropriate and permitted under federal and state law, regulations and grant conditions, to reimburse the schools at cost for any actual, allowable, necessary and reasonable operating expenses, provided that supporting documents are submitted to DPI to support such a decision.
- Ms. Baquero next reviewed the timeline of document requests sent to Torchlight Academy’s Principal and Board Chair:
 - January 10, 2022

- Letter notified TLA of the 1/6/22 State Board of Education motion remanding to the CSAB.
 - Rescheduled appearance for 1/26/22.
 - Requested specific documentation to be provided by January 20, 2022.
 - Not all materials produced by 1/20/22 deadline.
 - Reschedule CSAB meeting to February 8, 2022.
 - Another letter was sent 1/28/22 requesting the missing information by 2/1/22.
 - None of the information was produced by the 2/1/22 deadline. That day, TLA Board's attorney said that the information would be provided two days later at the latest. Nothing was produced.
 - On 2/9/22 another letter was sent to TLA with a revised meeting date (2/28/22), per TLA's request due to COVID-19 contractions and exposures to TLA staff and BOD. The letter again requested the missing information.
 - None of the information was produced by the 2/1/22 deadline. That day, TLA Board's attorney said that the information would be provided two days later at the latest. Nothing was produced.
 - On 2/9/22 another letter was sent to TLA with a revised meeting date (2/28), per TLA's request due to COVID-19 contractions and exposures to TLA staff and BOD. The letter again requested the missing information.
 - Finally, on 2/16 another request for the missing information was sent to TLA with a deadline of 2/21/22 9AM.
 - At 3:45PM 2/21, TLA Board's attorney, Stephon Bowens, sent an email stating that due to a family member's passing, the materials requested would be late but received on 2/22/22.
 - Additional materials were received 2/22/22.
- Next, Ms. Baquero reviewed the documentation/records that have not been produced by TLA:
 - Monthly statements from the Nonprofit's "Board Spending Account" from January 1, 2018, to the present. (1/10/22)
 - Several employee contracts were missing and several contracts that were produced were missing pages. (1/10/22) *TLA has stated some employees work without contracts which may explain somewhat the reasoning
 - Copies of cancelled checks made from the nonprofit to the EMO from January 1, 2018, to July 15, 2021. (1/10/22) *TLA has stated it has contacted the bank re this request.
 - Employment contracts between the EMO or the nonprofit and Cynthia McQueen, Don McQueen, Shawntrice Andrews, or Aaron Andrews from January 1, 2016 to the present. (1/10/22 and expanded 2/16/22) *Current employment contract for Ms. Andrews was provided.
 - Contracts from January 1, 2016, to the present for any services performed at the school, whether the contracting party is the EMO or the nonprofit, with any other business operated whole or in part by Don McQueen, Cynthia McQueen, Shawntrice Andrews, or Aaron Andrews. (2/16/22) *TLA stated it was researching this question.
 - Information on the land purchased by the EMO or Nonprofit as referenced in the Torchlight 2017-2018 and 2018-2019 budgets under "Capital Purchases." (2/16/22) *TLA has stated the Nonprofit did not purchase land, but no response received re: the EMO and land purchase.

- Contracts for any EC services provided at the school. (2/16/22) *One unexecuted contract for April Broadway, was provided.
- Ms. Baquero stated that per the Charter Agreement, TLA is required to respond to requests for records: *Subject to state and federal laws, the local board of education, the SBE, its agents, and the State Auditor shall have the right to examine and copy all records, reports, documents, and files relating to any activity, program, or student of the Public Charter School.*
- Ms. Baquero asked if there were questions.
- Mr. Friend asked to please go back to the slide specifying what has still not been received. This was the most recent ask, not the first, correct? Ms. Baquero specified when it was asked originally and expanded.

EXCEPTIONAL CHILDREN'S DIVISION, NC DPI, PRESENTATION ON ONGOING COMPLAINT ISSUES WITH TORCHLIGHT ACADEMY

- Ms. Sherry Thomas presented an update on the ongoing non-compliance with Torchlight Academy ("TLA"). She specified that responses were received 2/27/2022. She directed to CSAB that there are documents in their folder and Eboard and these are references in these minutes. She explained that issues from February 2020 EC noncompliance are still not corrected as of today, 2/28/2022. Ms. Thomas proceeded to review the timeline for CSAB. She clarified that PSUs have a year to come into compliance from the date of the notifying correspondence. Ms. Thomas reviewed items which have not been corrected and that documents had been received but that those documents revealed that a process was not in place. ECATS is a compliance-based system and there are steps which must be taken within the system.
- Ms. Thomas references Document A and specified that these have not yet been received; she stated that Document B is about fiscal compliance and specified that files were uploaded on 1/4/2020 and were incomplete. She listed the areas of concern under maintenance of effort on Document B and why the concern, such as no operational budget with funding codes which align to date. Specifically, with respect to the MOE documentation for Document B, nothing had been received in CCIP system. What was provided was documentation for three (3) staff members indicating that they were meeting MOE; she explained why none met MOE.
- Ms. Thomas explained a phone call and follow up meeting and a request from TLA about higher level access in ECATS and the communication to and from the school regarding this access and the timeline.
- Ms. Thomas provided dates access was provided in ECATS for those staff that could be confirmed as having an active license.
- Ms. Thomas reviewed Document D: Thomas specified that non-compliant records reviewed of all student records for TA in ECATS in 2019; there were 61 pages of altered records by Shawntrice Andrews, acting EC director at that time. Of note, groups of changes happening which were red flag for EC division; namely prior to child count date of December 1 as this would have an impact on funding, this is the federal child count for IDEA funding. Ms. Thomas stated that approximately 22 of 60 students' records altered without the paperwork to support this in ECATS. Whether a clerical or technical error matters not, this still makes the IEP non-compliant.

- Ms. Thomas refers to Document E; this is a history of an individual student (all personally identifying information redacted); provided a review of this individual student. Altered records reviewed in ECATS, which continues and notes. There will be an entry from case manager. E4 shows users who have had access. E5 is a screen shot of activity in ECATS. Explained that there had no data to support the action. E6 IEP for student. Originally found in Wilson County but has been modified for Torchlight Academy. She explained to CSAB what had taken place here.
- Further, Ms. Thomas explained that the EC division was also concerned with inconsistency in staff list and appropriate staff in ECATS. F1 & F2 was a list from Power School, listing the staff associated with Torchlight Academy. She explained comparisons to ECATS staff identified in that system and cross over with staff at Three Rivers Academy. Also, it appears that there are many inactive staff in ECATS who should be removed as they would still have access to these confidential records.
- Ms. Thomas stated that when we visited Three Rivers, we were told the EC teacher providing services, this person does not show up in PowerSchool under that school; where is staff and who is delivering services remains an open question. Ms. Andrews is still listed as an EC teacher, shows up in Three Rivers Academy as a teacher with a caseload, yet she is not in ECATS. Many teachers do not show up in PowerSchool at all. Might be in ECATS but not in PowerSchool under that school.
- Ms. Thomas references the assurances federal grants must adhere to, specifically the 611 grant and points to Document G (1 through 3) which were included in the IDEA grant application; also a requirement under 2CFR (G4) which stated the conflict of interest which must not occur with respect to the use of federal grants. Ms. Thomas highlighted the 2021 IDEA grant submitted; pointed to areas highlighted and EC division creates assurances which are not being adhered to around conflict of interest and their obligations when they submit this grant. When you have continuous non-compliance, it is an issue.
- Ms. Thomas answered questions around Ms. Andrew's licensure. She is the named as the EC Director per contract her license is only a BA and her license meets none of the requirements of the EC administrator.
- Ms. Turner asked Ms. Thomas to explain maintenance of effort. Ms. Thomas explained how a school must use at least as much with state and local funds. If you don't meet this, you must repay this amount. You may not spend more in federal funds than in state funds.
- Ms. Turner asked specifically what qualifies. Ms. Thomas explains scenarios which would qualify and explains that there is no 50/50 for IDEA; all must be licensed or working on current license. Federal dollars paid would need to be reimbursed as well.
- Ms. Turner asked if the services count. Ms. Thomas stated technically, no. If it is a non-licensed it might be compensatory, corrective action. Ms. Turner asked how many instances of altered documents we are talking about and takes as an example the Wilson County example; Wilson to Torchlight; developed in Wilson and modified in Torchlight. Ms. Turner asked how it should have been done.
- Ms. Thomas explains there would have been an IEP meeting, data to determine level, documentation reviewed of progress monitoring, a new IEP written with IEP team and a determination of service based on the IEP.

- Ms. Turner asked what if the IEP is expired. Ms. Thomas stated if it expired, there has to be a meeting.
- Mr. Friend asked for clarification about Document B. Ms. Thomas specifies that 22 of 60 students had been altered.
- Dr. Eldridge asked would those alterations be clerical errors? Ms. Thomas explains these were not clerical errors; that we are missing the process documentation. No invitation, prior written notice, summary. Dr. Eldridge asked on E10, you redacted names, were all the required signatures there? Thomas stated yes.
- Ms. Turner asked if the training for ECATS; would that training have covered the fact that you can't change the dates. Ms. Thomas stated yes, it covered process. Ms. Turner asked does everyone who gets access, at what level is training done? Ms. Thomas stated all teachers required to be trained. Some PSUs use train the trainer. In this case, no training until Fall 2021; we requested that anyone getting access go through training; we had concerns about ability at that school to do this. Many schools being asked to go through this module training as well. Thomas indicated there is turnover.
- Dr. Eldridge asked if there is a digital footprint? Ms. Thomas stated yes, we can see backdoor; generates a list as well; everyone gets a certificate of completion.
- Mr. Friend asked if anyone at TLA completed training for ECATS. Ms. Thomas stated yes, eventually. Ms. Andrews stated that she had completed training, but we could see that she did not. She did do this in the fall of 2021.
- Mr. Sanchez inquired about Document A, asked for clarity around the sampling of 5 students. Ms. Thomas explained a random sampling is completed at monitoring visits. Ms. Thomas explains that 3 have withdrawn and 1 has consent for service revoked.
- Mr. Sanchez stated that a significant number were non-compliant. He asked if any of the 11 meetings recently conducted were compliant.
- Ms. Thomas said she will need to get more data. We are continuing to see if any of the 11 were compliant. Mr. Sanchez stated I am coming to the conclusion that none of those were compliant.
- Ms. Thomas looking at child count for 12/2021, were showing eligible but when you returned to eligible but when you went back, they were not; they were pulled off child count. Mr. Sanchez asked if that is typical. Ms. Thomas explains that this number is high, there is also a process. Not reported as finalized until December/April. It is a technical correction.
- Ms. Thomas stated the focus is on fixing paperwork and not on fixing the process. She stated that TLA needed to make sure the EC teachers understand process; they worked hard to fix paper, but we have not fixed process.
- Mr. Sanchez asked about Document B -licensure; 3 out of 3 were not licensed? Of the entire EC staff, how many were licensed, how many were not? Ms. Thomas stated we have had difficulty

tracking down EC teachers for that school. We are not 100% confident that they are providing accurate information.

- Mr. Sanchez asked were any at all licensed. Ms. Thomas stated that we have confirmed about 4, both on PowerSchool and ECATS who are licensed. One teacher is providing services at Three Rivers but is listed as gen ed teacher in PowerSchool.
- Mr. Friend asked if the school must know it is in non-compliance. Ms. Thomas stated they were notified at the end of the February 2020 site visit during the debrief and a letter was sent in April 2020.
- Mr. Friend asked if at any time has the TLA board of directors contacted your office. Ms. Thomas stated no, I don't recall receiving any and I don't believe staff has either.
- Ms. Kroeger asked about Document D; ECATS; what mode were these changes made in? Ms. Thomas stated Administrator Level IV. Ms. Thomas stated that Level V is highest level.
- Ms. Kroger stated that the system really feeds you the steps and documentation needed, so she doesn't understand why the changes were made. Ms. Thomas stated that these were altered dates and information which were not creating new documents; she was making changes instead of creating a new IEP. Ms. Kroger stated if you follow the process in ECATS it creates a trail.
- Ms. Thomas explains that the IDEA process was not followed. Admins have the authority but is not used frequently. That was not what this was used for. Not designed to change the process. ECATS was built in a compliance format; you can't move forward in a process unless you are following the proper process, this is built into the system.
- Ms. Turner asked were these changes at, or near, the time of headcount? Would changes affect whether a child would get funding? Ms. Thomas stated yes, there is a lot of traffic and activity around December 1, 2020. Ms. Turner asked would those changes have affected funding. Ms. Thomas stated yes.
- Mr. Stoops asked could you remind us of the federal and state oversight of the EC programming. Ms. Thomas provided oversight review of IDEA; as a state and the EC division, we have to follow our general supervision requirements. Fiscal and programming and ensuring appropriate licensure. Federal reporting as well with data collected from PSUs. Supervisory arm is the EC Division. FAPE review.
- Dr. Eldridge asked what the statewide ramifications of these types of noncompliance issues.
- Ms. Thomas stated that, as a state, we could be given a provisional grant; we could be monitored; we could have our funds withheld or delayed or require payback for the state. This would impact every school in the state.
- Mr. Friend: How long have you been at NC DPI? Ms. Thomas replied 14.5 years.
- Mr. Friend asked if she has you seen anything like this? Thomas: No, I have not.

- Mr. Stoops asked what is practical effect this has on children and their education? Ms. Thomas stated we have no clear indication that there are clear instructional practices and services happening. We went in 9/2021 and were told by the principal that he did not know who those students were and we were unable to observe those students. When we see processes not being followed, we also need progress monitoring and instruction in these settings. We are not seeing this in this case.

FEDERAL PROGRAM MONITORING & SUPPORT, NCDPI

- Dr. LaTricia Townsend introduced herself and presented the areas of oversight of her Division. Her presentation is summarized below.
- Dr. Townsend began with her areas of oversight: Consolidated ([ESSA-Every Student Succeeds Act](#)) [Entitlement]; 21st Century Community Learning Centers (21st CCLC) [Competitive]; Pandemic Recovery Funds (ESSER-Elementary and Secondary School Emergency Relief Funds [Entitlement]; she explained that the highlighted areas apply to Torchlight: Consolidated ([ESSA-Every Student Succeeds Act](#)) [Entitlement]; **Title I, Part A: Improving Basic Programs Operated by Local Educational Agencies** ; Title I, Part C: Education of Migratory Children;
- Title I, Part D: Prevention and Intervention Programs for Children and Youth Who Are Neglected, Delinquent, or At-Risk; **Title II, Part A: Supporting Effective Instruction; Title III, Part A: English Language Acquisition, Language Enhancement, and Academic Achievement; Title IV, Part A: Student Support and Academic Enrichment Grants**; Title IV, Part B: 21st Century Community Learning Centers*; Title V, Part B, Subpart 2: Rural and Low-Income School Program Title VII, Subpart B of the McKinney-Vento Homeless Assistance Act: Education for Homeless Children and Youth Program (McKinney-Vento Act) and the 21st Century Community Learning Centers (21st CCLC) [Competitive].
- Dr. Townsend indicated that Torchlight received funding for the bolded areas above (Title I, Part A; Title II, Part A; Title III Part A; Title IV, part A; and the 21st Century Community Learning Centers (21st CCLC) a competitive grant. Further, she explained that Torchlight received funds for Cohort 13 and 14 (Cohort 13- 18-19SY, 19-20SY, 20-21SY 21-22* in the amount of \$219,760 and Cohort 14- 20-21, 21-22, 22-23 in the amount of. \$224,590.
- Dr. Townsend explained areas of oversight, which included Pandemic Recovery Funds (ESSER-Elementary and Secondary School Emergency Relief Funds [Entitlement]; ESSER I (CARES Act); ESSER II (CRRSA Act); ESSER III (ARP Act).
- Dr. Townsend explained the three overlapping areas of Federal Monitoring & Support: Grants, Technical Assistance and Compliance Monitoring and explained how Federal Funds are applied for using the CCIP system. She further explained Grants Administration using CCIP and that they use NCID to sign securely into the system and Tracks actions by each user associate with the grantee with clear time and date stamps. She stated that Users are assigned specific roles within the system. She further explained user roles (LEA Chief administrator, LEA Fiscal Representative, 21st CCLC Data Entry) and that a person can have more than one role and that a role can have more than one person assigned to it. Dr. Townsend shared a screen shot of Torchlight user roles and all were assigned to Dr. McQueen.
- Dr. Townsend further explained the technical assistance her Division provides to PSUs:

- Regional Program Administrators for each area
 - Consolidated, ESSER, 21st CCLC (program and 2 fiscal staff)
 - Available for phone, virtual, in-person meetings
 - Written Guidance
 - Federal Programs Handbook
 - Grant Guidance for 21st CCLC
 - Webinars for each new application
 - Regional and Annual Meetings for each program
 - 21st Monthly Lunch and Learns
- Dr. Townsend reviewed the Compliance Monitoring for Torchlight and dates and stated that compliance concerns remain across each of the programs.
 - Consolidated (22 Elements) [Programmatic] 3/21
 - ESSER (4 (3) Elements) [Programmatic] 12/21
 - 21st CCLC [Programmatic (4 strands) and Fiscal] 1/22
 - Dr. Townsend explained that the compliance monitoring follow a cycle for each of the 3 areas based on risk assessments:
 - Consolidated (4-year cycle)
 - Torchlight was monitored in year four of the last cycle
 - ESSER (Monitoring through the final year of availability 2024)
 - Torchlight was monitored in year two (current year)
 - 21st CCLC (all programs receive a monitoring each year)
 - Programmatic- Modified CPMR
 - Fiscal-Full Fiscal Monitoring Review
 - She explained that a monitoring Schedule is published in advance, a 30-day notice letter is sent, documentation must be submitted a week prior to the monitoring event, program Administrators review prior to the monitoring event, and there is an onsite/virtual event includes interviews to verify/collect additional information. An issue report comes within 30 days and schools have 30 days to address deficiencies. With specific respect to Torchlight, she presented the following:
 - Consolidated Monitoring (Dr. Thompson)
 - Consolidated (22 Elements) [Programmatic] 3/21
 - 15 findings and 6 recommendations
 - Continued back and forth requesting additional documentation
 - Last Memo- 2/21; additional information is due 3/3

Summary		Programs Monitored	
LEA Code:	92L	YES	Title I-A: Improving Basic Programs
LEA Contact:	Dr. Cynthia McQueen	NO	Title I-D: Neglected, Delinquent & At-Risk Youth
NCDPI Lead PA:	Dr. Tina Hinson	YES	Title II-A: Supporting Effective Instruction
Monitoring Start:	3/29/21	YES	Title III-A: English Language Acquisition
Visitation Date:	4/1/21	YES	Title IV-A: Student Support & Academic Enrichment
Monitoring End:	4/2/21	NO	Title I-C: Migrant Education Program
Report Date:	4/15/21	NO	Title V-B: Rural and Low-Income Schools
Findings:	15	NO	Title V-B: Small, Rural School Achievement
Recommendations:	6		

Dr. Townsend explained that with respect to compliance monitoring for ESSER:

- ESSER Monitoring (Dr. Smith)
 - ESSER (3* Elements) [Programmatic] 12/21

- 15 findings
- Continued back and forth requesting additional documentation
- Last Memo- 2/21; additional information is due 3/2

Summary	Programs Monitored
PSU Contact: Dr. Cynthia McQueen NCDPI Lead: Dr. Damesha Smith Interview date: 12/1/21 Report date: 12/10/21 Findings: 15 Recommendations: None	CARES Act: PRCs 163 165 169 170 CRRSA Act: PRCs 171 ARP Act: PRCs 181

Dr. Townsend explained that for Compliance Monitoring for 21st Century CCLC:

- Programmatic (Rainey) and Fiscal (Powe/Moss)] 1/22
 - Programmatic- 1 finding, 3 recommendations
 - Awaiting Safety Inspection
 - Fiscal-14 findings; 5 resolved
 - Due 2/7; Extension to 2/14; finalizing report
 - Finding: The questioned costs total \$156,839.97 (\$138,576.46 for September and \$18,263.51 October)
 - The finding has not been resolved. The grantee was unable to submit all missing documentation for the September BAAS request. As a result, the questioned costs in the amount of \$156,839.97 identified in the original report have been reduced to \$27,706.35.
- Dr. Townsend stated that the required Action is that the subgrantee must submit to the fiscal monitor at NCDPI missing documentation for the September and October BAAS submissions.
- Dr. Townsend presented a [Programmatic and Fiscal] Historical overview:
 - 19-20 21st Comprehensive Fiscal Monitoring 14 findings that resulted in a payback of \$27,258.00.
 - 20-21 21st Desk Review Fiscal Monitoring 1 finding related to contracts (i.e., 1 out of SOW and 1 dissolved entity) that resulted in a payback of \$3,330.33 and \$4,999.95.
 - 19-20 and 20-21 Program Quality Reviews (Technical Assistance Monitoring)- Recommendations Provided
 - 21-22 Application has not been approved. There remain concerns with contracts that were submitted. It has not passed review by our 21st CCLC fiscal team.
- She stated that there remains Compliance Monitoring Concerns:
 - Across all Programs
 - Timeliness of the presentation of the documentation
 - Missing or insufficient documentation
 - Compliance has not been achieved
 - 21st CCLC Fiscal
 - Insufficient fiscal procedures
 - Internal controls
 - Record keeping
 - Financial system that ties expenditures to fund source and the appropriate budget codes
 - Questioned costs
 - Contracts
 - Missing information

- Out of date
 - Entities not in operation
 - Conflict of Interest-self-serving
- Dr. Townsend shared Compliance Monitoring 20-21 SY, Findings of a Desk review:
 - **Finding:** Torchlight Academy entered into a contract agreement with Inspiring Hearts to provide parental involvement activities (5880.110.311 account for Parental Involvement – Contracted Service). However, the invoices submitted for payment were outside of the scope of the services to be provided to the grantee and in some cases unallowable, gifts for participation and student and parent incentives as well as travel. **Questioned Cost: Outstanding questioned cost in the amount of \$4,999.95 must be returned to the North Carolina Department of Public Instruction (NCDPI).**
 - Additionally, it was found that Inspiring Hearts LLC was determined dissolved. (See below from the Secretary of State’s webpage)

Entity Name			Actions
Sos Id	Date Formed	Status	Type
Inspiring Hearts, LLC			
1863171	7/2/2019	Admin. Dissolved	Limited Liability Company

- The NCDPI Grant Guidance states the following: Subcontractors may not contract with any party which is debarred, suspended, excluded from or ineligible for participation in federal programs under EDGAR 2 CFR Part §200.213, “Debarment and Suspension.”

The questioned cost in the amount of **\$4,999.95** must be returned to the NCDPI. **Please note that payment**

- Dr. Townsend reviewed general procurement standards and conflict of interest requirements.
 - [2.I: Conflicts of Interest](#)
 - According to the general procurement standards, the non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
 - SOD Holdings
 - Request to rent space in the school to to the 21st CCLC program in 2019-20
 - Mr. McQueen owns this company.
 - Current request for \$18,000 for 21-22
 - 2021-22 Luv Lee Sanitation
 - Aaron Andrews is the contractor- Mr. McQueen’s son-in-law
 - Mr. McQueen’s address is listed for company address.
- Dr. Townsend stated that concerns persist across all areas; she stated that documentation, when provided, has been insufficient or unordered, and gave examples. She also stated that she had shared best practices and what steps would need to be taken to come into compliance and a corrective plan.

Additional information is due 3/2/2022 and a plan for moving forward as they do not have the required documentation to be in compliance. Dr. Townsend then entertained questions from the CSAB.

- Dr. Eldridge asked if the term ‘finding’ means non-compliance. Dr. Townsend stated that is correct. She explained was their ratings meaning findings require corrective action.
- Ms. Turner asked about the overspent 19k and whether they could they have done a program amendment that modified budget. How could you draw down more than you had?
- Dr. Townsend clarified that each entity is provides a specific allotment; they overspent that allotment. For each program, there is a specific purpose for it. You can’t switch them across various lines. When we did fiscal monitoring, they did not draw down from where they had budgeted, it came from various line items. They overspent the amount; allotment is done based on allotment policy..
- Dr. Eldridge: When I went to get the reimbursement, would they have to pay the difference?
- Dr. Townsend: We actually know they drew these fund down.
- Ms. Parlér: Do you compare the audit? Townsend: Not in my division, this will be a question for Ms. McFadden.
- Dr. Eldridge: Spoke to have findings and the speed with which a school would take care of it. How many schools would bypass the 30 days? Dr. Townsend: maybe a handful.
- Ms. Turner: When should this have been closed out? Dr. Townsend: For ESSER, this happened in December. 30 days was December 31st. The documentation is not enough and not meeting the mark. They made an effort but still not compliant.
- Ms. Turner: Programmatic documentation? Dr. Townsend: Consolidated monitoring; on the slide it shows you in the report, element by element, where you have a finding and text after that. Gave the example; policy was not able to translate to Spanish. No evidence other than interview response, no evidence of stakeholder involvement. Ms. Townsend went through in detail what this would look like.
- Ms. Turner: You can’t create something you didn’t have; alternative is then the improvement plan so this doesn’t happen again. Townsend; Yes, and we can do a spot check.
- Ms. Turner: 21st Century. Townsend: Risk assessment done every year; 1/22 Explained 1 finding and 3 recommendations; awaiting safety inspection. January 13th, lead monitor on that, 1 finding noticed and was about making sure safety inspection up to date. Fire inspection. Fiscal: 14 findings; 5 resolved; have received additional documentation from them. New estimated cost. On fiscal side: 156k lack of good fiscal reporting procedures; a system to see how each expenditure lines up to appropriate budget code. Procurement issue was brought up. DPI provided information to them as to how they could improve on that side. Major concern: Transaction review found significant issues. We pulled two months to review transactions. 1:1 correspondence from expenditure they made and account they drew down form. We saw areas in which they would go into system and draw from budget line items. Example would be teacher assistants budget line; no documentation to show that they had employed. Drew down over 150k; they only provided documentation for 13k of this drawn down. They are Cohort 13 and 14; the way to be able to disaggregate relies on documentation to show.
- Dr. Townsend: Has new information; looks as if they have provided additional documentation. \$27,706.35 will be asked to be returned. There is a history of fiscal issues: 2019-2020-27K pay back; 2020-

21 desk review: amounts had to be paid back; scope of work; attempting to pay an entity that no longer exists, according to Secretary of State.

- Dr. Townsend spoke to the overall issue for timeliness; documentation is insufficient; our division does a good job supporting schools. Missing and insufficient, remain out of compliance for all of them.
- Dr. Townsend: 21st C side, insufficient, lack of internal controls; reviewed this all. Summarized. Financial system is lacking. Questioned costs. Contracts. Conflicts of interest which are self-serving. Shared a screen grab from CCIP system, reflects additional documentation for contacts being presented. Lack of providing information.
- Ms. Turner: Are they still able to draw down money? Dr. Townsend: if they repaid, they are in good standing. This information is based on the current year. Even though they received a promise for 3 years, they still need to complete it annually. At the beginning of this year, we want to make sure that these issues with contracts were updated. Ran into contractual issue with Torchlight in the 19-20; they wanted to receive funds on basis of these contracts; they do not have an approved application for this school year because they don't have those contracts in order.
- Dr. Townsend: Submitted for janitorial services; out of date; they added a cover page; the ask for them in the CCIP log was that you get a new contract on the letterhead of entity which will provide service. The conflict of interest as that the owner of the LuvLee sanitation was the son in law of Mr. McQueen and lists address on header page to a property that Mr. McQueen owns. So, on the desk review, we have an attempt to contract with an entity which does not exist. Desk review issues: Attempted to contract with an entity which doesn't exist. Mr. McQueen asked for funds to be remitted to him for the school to rent space for 21st CCLC in a space held by SOD Holdings, which is Mr. McQueen.
- Ms. Turner: Asked for clarification. The space was in Torchlight's building, but they wanted them to lease it from McQueen's company? At what point is it that you can no longer get money? Dr. Townsend: The application was not approved.
- Mr. Falkenbury: How prevalent are these issues across state? Dr. Townsend: It does come across and moving to a system looking at contracts and looping in legal counsel has been helpful. We ask about individuals who work in the program. We try and get an understanding off where conflicts of interest might lie. We have denied this.
- Dr. Eldridge: Are you familiar with Inspiring Hearts? This was the entity which did not exist. Dr. Townsend: Not familiar
- Ms. Turner: In 21st C, is there a provision to allow for people who are related to each other? Dr. Townsend: You have to disclose it and there must be documentation in place. Turner: How did you find out McQueen owned this building? Dr. Townsend: The fiscal analysts found this.
- Mr. Sanchez; Summarize the areas of oversight again. In all three, we have findings which have been unresolved? Dr. Townsend: Yes, all unresolved.
- Mr. Sanchez: CSAB ability to support situations like this. How common is that you will have 3/3 areas of oversight all unresolved. How does it make it back to us?
- Dr. Townsend: We have been taught to rely on the interconnectedness within the agency. When letters go out with findings, we have a better system to let the OCS know. We now have a true process to make

CSAB aware of what is going on. Mr. Sanchez: Do you have other schools with 3 out of 3 areas in non-compliance?

- Dr. Townsend reminds that 21st C grant is competitive. I would say no. The financial side but programmatic side, we want to create enduring systems and use money well. It is a matter of having continued dialogue to get this done. Reaching out and asking us. Widespread non-compliance is a definite no.
- Dr. Sherry Thomas responds to question around Document A at 12:42 a.m.; all 11 students who had meetings conducted still have non-compliance issues. She clarifies that Admin IV is the highest level a PSU can have in ECATS.

**CSAB break at 12:42 a.m.

**CSAB resumed at 12:53 a.m.

- Ms. Turner stated that CSAB will break for lunch and will reconvene at 1:20 p.m. when we will hear from NC DPI Division of Finance & School Business, followed by Torchlight Academy.

**CSAB reconvened at 1:28 p.m.

- Ms. Turner: We are starting with NC DPI Finance & School Business, Ms. Shirley McFadden. McFadden introduced Ms. LaShon Creech, student accountant here at NC DPI who will review the site visit.
- Ms. Creech: Student Accounting completed a site review and head count on 2/22/22, to verify student accounting records entered by Torchlight into PowerSchool. Discrepancies exist between PowerSchool data and on-site data. 601 students in PMR1 in PowerSchool, 575 were on PowerSchool roster on head count; 489 actual present for head count. That is a difference of 112 students; 18% of student body. Comparing PowerSchool roster with head count 15% (86 students); comparison, less than 91%, which is about average. ADA pre COVID was 95%; of the 86 not present, 17 not marked absent in PowerSchool; class rosters expected. Ms. Creech stated that the head count did not match the Power School roster and that there were students scheduled to be in person who were indicated as virtual during head count. When they attempted to review student cumulative folders, they were unable to as they were told there was no one available at the school to provide records. The standard exit interview did not take place as both principals felt it was more appropriate to visit with Mr. McQueen. On March 1st, a second visit to review and obtain records scheduled.
- Ms. Creech explained that prior to on site review, a desk review of PowerSchool instances was done; pattern of truancy for a sign, number of students. Ms. Creech reviewed state law with respect to with truancy; notification of parents after 3, 6, and 10 absences; truancy findings revealed 4 students with 40 to 60 absences. Patterns of truancy reviews at elementary and middle school. 515 students with 3 or more absences.
- Ms. Creech said she was unable to determine compliance with truancy statute but will review on March 1st, when she returns. Mr. Falkenbury: Asked if any of the counts were duplicated across categories.
- Ms. Turner: Asked about whether there was anything there. Principals declined further discussion. No one here to open records for you.

- Ms. Creech indicated she was Assigned a parent liaison and when asked to review records was told that would be with data manager, who was not onsite. Ms. Creech asked principals for further discussion regarding whether PowerSchool was set up correctly; both principals declined further conversation and stated the conversation would be better with Mr. McQueen.
- Mr. Friend: We are discussing the 21-22 school year; right up on your 100th day. All schools are required to notify parents at 3,6,10. Do you have any knowledge of this and whether this has been done? Ms. Creech: No, we will ask when we go back.
- Mr. Falkenbury: Do they have a virtual or remote instruction plan? Ms. Baquero: That required an amendment at this point; they do not have a plan.
- Mr. Sanchez: These are all unexcused. Not COVID related? Mr. Friend: They indicated, or the records indicated that they had students on a virtual option.
- Ms. Creech: During the head count; eight students were observed in a virtual setting. Ms. Turner: You saw them in a virtual? Ms. Creech: Yes.
- Ms. Turner: Legal, when DPI shows up, do you have a right to tell them you will not talk to them?
- Ms. Schaffer: Under your Charter Agreement, DPI has the right to get records when they are requested. There is nothing specific about who can ask questions.
- Ms. Baquero: Offered to clarify that yes, Torchlight was approved for a blended model in August; in person on a regular basis unless out for COVID, etc. in PowerSchool, remote instruction.
- Ms. Turner: Clarified that they are not approved for any strict virtual. Ms. Baquero specified that no charters allowed to do full time virtual other than the two pilot virtual schools.
- Ms. Turner: When you have done site visits before, have you ever experienced one person having access to all student records, room, where cumulative records area? Ms. Creech: No, we have never seen this. Below is the date shared with CSAB from the head count of 2/22/22 at Torchlight Academy.
- Ms. Shirley McFadden, from NC DPI Finance and School Business provided an overview of the Fiscal Monitoring results; general overview of federal fiscal monitoring. Single Audit and fiscal monitoring preliminary results explained and the following information was share with the CSAB as an overview.
- Ms. McFadden explained that Torchlight was, on 2/4/22 put on probationary financial, non-compliance status. She stated that the audit was received on 2/27/22 and that there has been no time to review in tis entirely the single audit yet. She stated that if there are no issues, Torchlight will be removed at a point in time from probationary status. Ms. McFadden explained the federal fiscal monitoring visits, annual risk assessment last fall, November/December 2020 and they were still completing the FY21. Notified TL in June that they would be up for a desk review in November, 202. Ms. McFadden indicated that she emailed Dr. McQueen asking her to confirm information; did not hear back and then called school. She responded within a day and connected with Mr. McQueen, who was responsive. Requests were made and items were received but it was not everything which had been requested. She stated that certain items should have been pulled and provided without trouble or issue. On 2/22/22 she did a site visit, first to the elementary and then to the middle school. She was

advised that neither Mr. McQueen nor anyone else, was available and that the accountant had called out that day. Ms. McFadden indicated she would return, showed up the following day, on site, and she got the same response: there was no one for her to meet with. On the 2/22/22, she provided a list of documents pursuant to Mr. McQueen's request that a list be provided which he could share with his team. Ms. Fadden spoke with Mr. McQueen on 2/23/22 and he indicated that he had spoken to his team and that they would need some time to meet the requirements. Ms. McFadden indicated that she said she did not agree it would take time. Conclusion was that they would gladly comply with requests but just not in the manner requested. She left him with documentation requested.

- Ms. McFadden provided CSAB with a description of several unallowable costs, including but not limited to costs from PRC 135, PRC 138, PRC 165; the unnecessary purchase of Chrome books, tablets & laptops; the untimely payment of federal funds, and evidence of a non-compliant financial management system.
- Ms. McFadden detailed that there were certain staff for whom no evidence could be provided that the individual had a full or provisional license; Mr. McQueen asked for evidence that licenses were required.
- Ms. McFadden pointed to untimely payment of federal funds and provided examples of draw down dates compared to transaction dates in detail ledgers provided to them. Transactions which did not align with expenditure data. There was evidence that Torchlight was drawing down funds and holding them, exceeding the three-day rule, whereby funds have to be paid out in three days. Federal law stated the entity must pay out in a timely manner. Ms. McFadden pointed to five drawdowns which were held from 6 to 117 days. For example, PRC 135 they drew down 10/21/2020 \$2,000.00 draw down; \$2,000.00 on 1/15/21; 86 days later. DPI is not able to catch these because of the way the management company works with the school system. Detailed transaction shows that the payment doesn't go out until later. On average, 54 days of holding funds.
- Ms. McFadden further emphasized problems with the financial management system itself, that it must comply with federal laws, uniform guidance and UERS requirements. She specified there needs to be at a detailed level for required reports. What she showed does not meet the requirement of federal law. NC GS adopted by SBE, requires PSUs to submit general expense detailed records. Currently Torchlight is not providing these detailed transactions.
- She explained that Torchlight the EMO use two systems; one is linked to DPI for UERS, which shows us the object codes; the checks which are accumulated and sent to LLC (EMO); it does not record detailed expenditure in the secondary system, which is Quick Books. Ms. McFadden explained that it was clear it was not in a system. McQueen stated they had QuickBooks and that she had asked Mr. McQueen if he was capable of running the types of detailed reports required. Ms. McFadden articulated again her concerns about the control environment.
- Turner: Does the audit have findings? Ms. McFadden demurred on the full answer until she has had time to do a complete review. She did indicate that they have questioned costs, about 138k for indirect costs to school nutrition program. We don't know if this will be disallowed or payback. For the other finding we will wait to address, and she will also do an unannounced site visit.
- Mr. Falkenbury: I would assume that an unannounced visit is so you can see if they are doing things correctly? Ms. McFadden: Correct. Mr. Falkenbury: How often, has school leadership prohibited this? Ms. McFadden stated she can't speak to that as she hasn't conducted those in the school setting previous to this.

- Mr. Friend: When were single audit received; it was due when October 31st each year? Ms. McFadden: Yes, schools were given until November 30, 2021. One other school has not submitted its single audit. Why? Because of COVID 19 when audit firm told them that it was impacted by staffing of their audit form. Lack of documentation.
- Ms. McFadden: A portion of funds were specifically identified for summer program so she is reaching out to see how many of laptops reasonably correlate to that program. There are layers there and we need to speak to TLA about this. Why so many laptops and I went on site and wants to see equipment to keep good controls over those assets. She has requested to come on site to do that control. It has not been yet. Mr. Sanchez: When was this requested?
- Ms. Kroeger: When a school purchases assets with federal funds; they would need to keep track of those? McFadden: Equipment rules kick in because of the high risk of the equipment; you would need an inventory listing of all of the assets. When you dispose, you should say how you dispose of them. Mr. Friend: Did you say they purchased about 1,220 devices?
- McFadden: Yes, 1263 laptops and they have 600 some students. Paid part of a lease and made multiple purchases of laptops. 500 last summer and then a bulk were purchased this September, another 500. This seems high and this program is only intended for K-4.
- Mr. Friend: Clarifies that the next site visit is to see the laptops and wants to see an invoice on those purchased. McFadden: That request started in January and not received yet.
- Ms. Turner: Purchase of equipment. Is it standard procedure to go see the assets? McFadden: No, the quantity of the laptops and the number of students seemed unreasonable and unnecessary. Uniform guidance can't be duplicative and in this case, it raised a concern.
- Mr. Sanchez: Do we know the participation level of their K-4 summer program. McFadden: reports were required internally so they are looking into those in DPI.
- Mr. Friend: Has any member of Board who own the Charter Agreement, not the EMO, expressed any concerns or provided any insights? McFadden: Has not heard from Board; I copied Chair on my communication. McFadden: I copied Board Chair as well recently.
- Ms. McFadden explained her concerns related to conflict of interest.
- McFadden clarified concern with non-compliance with a federal regulation of conflicts of interest, which is separate from other conflict of interest mentioned today. She shared with McQueen directly. She had not documented concerns. She wants to share basis for conclusion; there is non-compliance here. Starts with the law. General procurement standards law. McFadden stated that 1. Mr. McQueen is an agent of the Charter School and 2. There is a real financial interest he is gaining from the EMO. She explains that the conflict of interest exists in in McQueen's role as Exec Director and agent of TA and his role as Exec Manager and company official of the EMO, Torchlight Academy, LLC. McQueen and Dr. McQueen have a direct financial interest through a salary and the amount that is associated with the management fee which is net income. This year, audit shows that was 365k was management fee. As an agent of charter school, he can't participate in this if he has a financial interest. To substantiate this, he is an agent of the charter school. In this case, an agent relationship can be established by action.

- Ms. McFadden explained that these roles and responsibilities, even though he is an employee and executive manager of the EMO, are the same roles that the Executive Director. Ms. McFadden references Bylaws and attachment to charter school application.
- Mr. Bowens, attorney for the Torchlight Board, introduced himself and read a statement from the Torchlight Academy Board of Directors (“the board”). He stated that several board members had to leave due to the length of this particular proceeding. The statement included noting that any deficiencies or failures were not intentional and believe the inquiry into these has been important in helping the board understand those deficiencies. The statement reiterated the board’s commitment to correcting issues. The board asked that the CSAB recommend the continued operation of TLA and explained its diligence in working with the staff and EMO to strategize and rectify issues that have come to light. Mr. Bowens spoke about collaboration taking place at the school level to ensure issues are addressed. The statement spoke about the school’s success in serving its minority schools and impacts of the pandemic on its students. He stated the community needs the school and is a beacon of hope in the community it serves.
- Mr. Don McQueen introduced himself as CEO of Torchlight Academy Schools, LLC. He asked the CSAB if TLA is considered a high-quality charter school. CSAB members asked if that is rhetorical, and he responded no, he is trying to get an answer because they are. Ms. Turner told Mr. McQueen to continue and the CSAB would respond later. Mr. McQueen spoke about TLA’s academic performance and stated they significantly outperform local schools serving similar students. Mr. McQueen stated they have concerns, complaints, and statements of injustice. HE stated this may be about increasing hits on websites to meet advertising, but how does this impact our children. He stated they are right now being served.
- Mr. McQueen continued that none of the weaknesses struggling charter schools have with academics or finances do not exist for TLA. He stated for twenty years they’ve not had problems. He stated he doesn’t know how anyone can stay in compliance with DPI unless you work on it every day. He stated the parents come because there are so many men in the TLA building and there is a dearth of men in our children’s lives.
- Ms. Turner asked Mr. McQueen to bring it down a bit. Mr. McQueen stated they come for the truth they teach about our history and have an excellent academic record. He stated they have always taken full responsibility for their shortcomings. He stated this is why they requested mediation and proposed a compliance agreement with an independent monitor. He asked how will the children be helped if TLA is shut down.
- Dr. Cynthia McQueen introduced herself and stated she has never done anything illegal in her whole life and has spent her entire adult life trying to help other people and do good for society. She spoke about her life as a teacher. She stated she is a two time cancer survivor and has never smoked, drank, or done drugs but because of this situation is on medication to prevent a nervous breakdown. She stated clearly they have paperwork and procedural flaws that they thank the CSAB for bringing to their attention. She stated they did not make mistakes with the children.
- She spoke about being publicly vilified and how it feels to see your own picture in the newspaper as if you’ve done something unethical knowingly and with intention. She stated it is too much power for

one group to have to destroy other human beings based on an investigation that hasn't really said we've done anything.

- She stated this process can be improved. She stated that prior to this, TLA has had a pristine background and have sacrificed twenty years at the school. She stated she treats everyone with kindness. She spoke about her awards and recognitions. She stated she asked for the EC department to come and help. She stated she was never offered technical assistance and she stated she made a request to DPI for emails and she only received one email from EC.
- Mr. Dustin Squibb, TLA EC consultant, gave a presentation about the EC division at TLA. He presented information on the number of EC staff members and gave an update on the evaluation progress for students at TLA. He stated that if there is a minor issue in Powerschool with a child changing LEAs, the record in ECATS will not transfer and that could have been the issue in the previous presentation by Ms. Thomas. Ms. Turner clarified that the date of birth was removed for personal privacy of the student.
- Mr. Adam Wezell, TLA consultant, stated there are deficiencies but this presentation should help contextualize what is happening. He stated it has been so much on the school the last few months, in addition to operating a school. He spoke about the history of the school and the success of the McQueens. He spoke about how other schools have similar attendance rates and cast doubt on schools that report 100% attendance rates. He stated that the surrounding schools are low-performing and TLA is not. He asked that CSAB keep the school open and allow correction action to take place. He stated they believe the students would face irreparable harm going back to the local system.
- Ms. Turner asked TLA representatives if they had finished their presentations and they responded yes.
- Ms. Turner asked for the members of the board to introduce themselves. Dr. Pam Banks Lee introduced herself as the Chair and her husband, Mr. Claude Lee introduced himself as Vice Chair. Dr. Moses joined at the podium. These three members were present.
- Ms. Parlér asked how many board members are on the board. Dr. Banks Lee stated seven. She stated they have a treasurer, but no secretary.
- Mr. Friend clarified that there are seven members total and three are present today. Dr. Banks Lee stated yes, that is correct.
- Mr. Bowens stated he hopes that nothing is being taken against the board for not being here as they had prior engagements for personal business reasons.
- Mr. Friend stated that everyone is aware of what is under discussion today and a majority of the people that hold the charter are not even here. He stated it is their school and it is on life support. Mr. Friend stated he appreciates the three that are here today.
- Mr. Bowens stated he appreciates that, but the board has been very engaged including a five hour meeting last week. He stated the board is putting in appropriate measures to address the concerns raised today.

- Mr. Friend stated that the Services Agreement with the EMO includes a 25k per year Board Spending Account and the board budgets show this allocation each year. He stated no bank statements have been produced since the request made January 10, 2022. Mr. Bowens stated there has been difficulty in obtaining all of those, but they have some statements here today to submit. He stated they have tried to obtain everything with the bank. Mr. Friend asked for the bank. Mr. Bowens stated Mechanics and Farmers Bank. Mr. Sanchez asked if the Board Chair could please answer some of these questions.
- Mr. Friend asked if the Board Chair was aware of this spending account and if she can give examples of how that money was spent. Dr. Banks Lee stated that in the earlier years, sending flowers for when a board member died, student travel, and reimbursements. Mr. Friend asked if the Board Chair has receipts or bank statements because the bank is not providing. She replied that she hasn't always kept receipts.
- Mr. Friend asked how often the board meets. Dr. Banks Lee stated they meet ten times a year, once a month for ten months. Ms. Kroeger asked who reconciles that account and how much is there now. Dr. Banks Lee stated about 4k probably and that she reconciles the account.
- Mr. Jamey Falkenbury asked if Shawntrice Andrews is still the EC director. Dr. Banks Lee stated no. Mr. Falkenbury asked what she is currently being paid for. Dr. Banks Lee stated that she was told she is the EC teacher at TLA. Mr. Falkenbury stated she was not on the previous presentation with the EC staff. Ms. Turner asked if she is the EC teacher at TLA. Dr. Banks Lee stated she doesn't know anything about other schools, so she assumes TLA. Mr. Falkenbury asked if she is the McQueen's daughter. Dr. Banks Lee stated yes. Mr. Falkenbury asked what she did prior to becoming EC Director because she has been employed there since 2002. Dr. Banks Lee believes EC teacher. Mr. Falkenbury asked if there is a new contract since she is no longer the EC Director and if the salary has been changed to be more aligned with how the other teachers are being paid. Dr. Banks Lee stated she does not know. Mr. Godbey stated she was not listed as an EC teacher on the slides just presented. Dr. McQueen stated that she is the MTSS Coordinator now, but there is no new contract yet.
- Mr. Falkenbury asked why she was promoted to become EC Director if you knew she didn't have the credentials necessary. Dr. McQueen stated she didn't realize that she didn't qualify because she has a license for 18 years as EC teacher. Mr. Bowens stated that it's not that she isn't qualified, but rather that when Ms. Thomas typically sees someone in that position, they meet the credentialing described. Mr. Bowens stated they are not disputing that things were not handled correctly, problems, but they've come in today in the spirit of bringing in people that can fix the issue such as Mr. Squibbs.
- Mr. Bowens stated you identified the problem; the school understood the problem and now the school has brought in the right people to fix these problems. Ms. Turner stated the school has known for two years there were issues.
- Dr. McQueen stated she has only received one email from the EC department pertaining to this issue. She stated they have tried to get help and were never assisted despite what the EC department claims.
- Mr. Falkenbury asked if Ms. Andrews is working for Three Rivers Academy as well. Dr. McQueen stated that Ms. Andrews has donated time to Three Rivers Academy but is not under contract with the school.

- Mr. Friend asked if Mr. McQueen is an employee of Torchlight the school. Dr. Banks Lee stated yes, he is the Executive Director. Ms. Turner asked why the Board doesn't see that as a conflict of interest. Dr. Banks Lee stated the Board has made mistakes and probably one of the biggest is not understanding how an EMO works, but when DPI approved it, they assumed it was fine.
- Dr. Banks Lee stated Mr. McQueen plans to step down as Executive Director to fix that conflict. Mr. Friend asked if Torchlight LLC will continue as EMO. Dr. Banks Lee stated they have not addressed that issue. Mr. Falkenbury asked if Dr. McQueen will continue as Principal. Dr. Banks Lee and Mr. Bowens stated that has been under discussion in closed session. Mr. Terry Stoops stated the Board must recognize that Dr. McQueen is part of the EMO so also has a conflict. Mr. Bowens stated they understand that and are discussing that.
- Mr. Sanchez asked the Board to explain the process for handling conflict of interests regarding the EMO because CSAB has not seen this documentation and it's been requested several times. Dr. Banks Lee stated the McQueens go to the board meetings, the McQueens would make recommendations, and then the Board would ask questions and vote on the issue. She gave an example of seeing a contract for an auditor years ago, but she doesn't know if she's seen a contract since then. Mr. Sanchez clarified he's asking about contracts with the McQueens. Dr. Banks Lee stated that she doesn't know she has a contract with the McQueens. She stated they were hired back in 2002 and she doesn't know a contract has been renewed since then. She stated they were hired as principal and administrator. Mr. Sanchez stated you've been paying two individuals to run the school and then you pay these same people in a different capacity to oversee all of it. Mr. Sanchez would like to know what type of conversation took place. Dr. Banks Lee stated they never understood how an EMO works. She stated they just figured the McQueens would continue as staff and then also run the management. She stated this was disclosed to DPI and believed it was approved as such.
- Mr. Falkenbury asked what warranted having the EMO if they already worked there. Dr. Banks Lee stated at the time they were paying a ton in rent and were looking into funding for a facility. She stated it was not working, trying to get funding, so they looked into an alternative way to get a facility and they thought the EMO would be the best bet. She stated Mr. McQueen brought that idea to the Board. Ms. Turner asked if she understood that all the property would become EMO property after paying the bills for the school. Dr. Banks Lee stated that the Board did not, and they should have consulted their attorney but did not. Ms. Turner asked about the building. Dr. Banks Lee stated that at the time, the building belonged to someone else, not Mr. McQueen. Ms. Turner stated the current documents show you are paying rent to a company that belongs to Mr. McQueen. Dr. Banks Lee stated she doesn't remember who they used to pay rent to, but it was someone else.
- Ms. Kroeger asked if they questioned the costs of the EMO fee each year. Dr. Banks Lee stated she simply looks at whether there are any audit findings and if there are none, she just moves one. Ms. Kroeger asked if it is present to the Board each year. She replied that no, it is sent to her via email. Dr. Banks Lee and Dr. Moses stated they haven't seen the auditor in at least ten years. Ms. Turner states it must be board approved each year. Dr. Banks Lee stated they receive it, read it, and approve it.
- Dr. Eldridge asked if the Board knows how much they have paid in management fees since 2015. Dr. Banks Lee stated no. Dr. Eldridge stated over 2.8 million. Mr. Godbey stated that is in addition to operational support services which comes out to another 10 million dollars.

- Dr. Banks Lee stated what sold them on the EMO ideas was that if they went into the red they wouldn't have to pay that money. She stated it was about not becoming in debt, because the EMO would be responsible, and still trying to do the best they could to run the school.
- Mr. Friend thanked the board members present and thanked them for being sincere and honest. Ms. Turner agreed and stated she now understands how we got here.
- Dr. Banks Lee stated she doesn't know how much money they were being paid twenty years ago but she knows she did not pay them what they were worth twenty years ago. Mr. Friend stated the McQueens are certainly not working under the same contractual agreement as they were twenty years ago. Dr. Banks Lee stated yes.
- Mr. Friend asked about a line item in the budget called policy leadership and public relations that ranges between half a million and 600k. CSAB directed the board to the budget line items and Ms. Turner stated that over several years this is a significant amount of money. Dr. Banks Lee stated she is not sure, but yes it is significant. Mr. Friend stated things that may fall under that are board development or professional development, but you haven't received that. Dr. Banks Lee stated it could be advertising or teaching training of some sort. She stated she does not know. Ms. Turner stated you have probably figured out by now that you need to know more about what is going on with the budget.

CLOSED SESSION

Motion: Move that CSAB go into closed session pursuant to NC General Statute section 143-318.11(a)(3) to consult with our attorneys in order to preserve the attorney-client privilege between the attorneys and the public body. 4:08PM

Motion: Bruce Friend

Second: Hilda Parlér

Vote: Unanimous

☒Passed

☐Failed

Motion: Move that CSAB leave closed session pursuant to NC General Statute section 143-318.11(a)(3) and enter open session to adjourn. 4:37PM

Motion: John Eldridge

Second: Terry Stoops

Vote: Unanimous

☒Passed

☐Failed

- Ms. Turner stated that Mr. McQueen asked what a high-quality charter school is. She stated academics obviously need to be stellar, or good at a minimum, but they also need to be a good small business. She stated you must be able to run the school operationally and fiscally because the money is not our money. She stated the money belongs to taxpayers. She stated the boards are entrusted with taxpayer dollars to serve children. Ms. Turner stated that academics have not been at issue with Torchlight, however, the fiscal and operational issues are severe. She stated those

issues escalated to a point where they became a threat to the integrity of the entire state's programming and federal funding. She stated high-quality is not just about academics and consequently that is what we have been talking about.

Motion: Recommend to the State Board of Education that the charter agreement between the State Board and Northeast Raleigh Academy d/b/a Torchlight Academy be revoked for the following reasons: 1) violations of laws and regulations including special education laws and federal conflict of interest and self-dealing regulations 2) violations of the charter agreement including failure to provide requested documents and failure to provide adequate oversight and management of school 3) failure to meet generally accepted standards of fiscal management, failure to retain and provide to DPI required documentation of expenditures of state and federal monies and comply with other fiscal requirements 4) allowing the ongoing self-dealing and conflicts of interest by the EMO Torchlight LLC.

Motion: Bruce Friend

Second: John Eldridge

Vote: Unanimous

☒Passed

☐Failed

ADJOURNMENT

- **Mr. Friend made a motion to adjourn the meeting at 4:45pm. Ms. Kroeger seconded and the meeting adjourned unanimously.**