



August 12, 2015

Governing Authority of FCI Academy
c/o Tracey Posey, Governing Authority President
2177 Mock Road
Columbus, Ohio 43219

Governing Board
James Telb
Jeffrey Bunck
Michael Dansack, Jr.
Joan Kuchcinski
Joe Rutherford

SANDRA C. FRISCH
Superintendent

RICHARD A. COX
Treasurer

Administrative Offices
2275 Collingwood Blvd.
Toledo, OH 43620-1100

Community Schools Center
Apryl M. Morin, Director
4955 Seaman Road
Oregon, OH 43616

t 419.246.3137
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www.esclakeeriewest.org

Dear Ms. Posey:

Attached, please find a Notice of Intent to Suspend Operation of Community School pursuant to section 3314.072 of the Ohio Revised Code.

Under law, the School has five (5) business days from receipt of this Notice to submit a proposal to the Sponsor to remedy the conditions cited as reasons for suspension of operation. A written response should be sent to my attention at the address listed for the Community Schools Center.

The Educational Service Center of Lake Erie West (ESCLEW) will promptly review any proposed remedy timely submitted by FCI Academy. If the Governing Authority of FCI Academy should fail to submit a response, if we disapprove of your proposed remedy, or if you fail to implement any proposed remedy as approved, then the Educational Service Center of Lake Erie West may suspend operation of the school.

Please contact me at (419) 246-3137 if you need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Apryl M. Morin".

Apryl M. Morin, M.OD
Director, Community Schools Center
Educational Service Center of Lake Erie West

cc: Governing Authority of FCI Academy
Chad Monahan, Director, FCI Academy
Joni Hoffman, Office of Community Schools, Ohio Department of Education,
File, ESCLEW

SENT VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED

To: Governing Authority of FCI Academy
c/o Tracey Posey, Governing Authority President
2177 Mock Road
Columbus, Ohio 43219

NOTICE OF INTENT TO SUSPEND OPERATION
OF COMMUNITY SCHOOL PURSUANT TO R.C. 3314.072

Pursuant to R.C. 3314.02, on July 1, 2011, the Educational Service Center of Lake Erie West ("ESCLEW") and FCI Academy ("School"), entered into an agreement setting forth the terms and conditions under which ESCLEW would sponsor the School.

In its oversight of the School under the terms of R.C. Chapter 3314, O.A.C. 3301-102, and the agreement between ESCLEW and the School, ESCLEW has determined that the operation of the School will be suspended for the following reasons:

- X The School has failed to meet the student performance requirements stated in the Contract between ESCLEW and the School, specifically as listed in **Exhibit B**.
- X The School has failed to meet generally accepted standards of fiscal management, specifically:
- Inaccurate reporting of financials to Sponsor via Epicenter for several months of 2015;
 - Financial insecurity as listed in **Exhibit A**; and
 - Financial insecurity and mismanagement as listed in and **Exhibit B**.
- X The School has violated the following state and/or federal laws that apply to community schools established under R.C. Chapter 3314, specifically:
- Failure to pay taxes.
- X Good Cause, including:
- Despite prior technical assistance of Sponsor, FCI Academy continues not to fully understand public officer ethics and conflict rules; and
 - As listed in **Exhibit B**.

This is a Notice of Intent to Suspend operation of the School pursuant to Section 3314.072(C)(1) of the Ohio Revised Code. The School shall have five (5) business days from receipt of this Notice to submit a proposal to ESCLEW to remedy the above conditions cited as reasons for suspension of operation. ESCLEW shall promptly review any proposed remedy timely submitted by the School. If: (1) ESCLEW disapproves of the proposed remedy; or (2) the governing authority of the School fails to submit a proposal in a timely manner; or (3) the governing authority of the School fails to implement the remedy as approved by ESCLEW, then ESCLEW may suspend operation of the School.

EDUCATIONAL SERVICE CENTER OF LAKE ERIE WEST

By: 

Its: Superintendent

Date: 8/12/2015

cc: Governing Authority Members, FCI Academy
Chad Monahan, Director, FCI Academy
Joni Hoffman, Office of Community Schools, Ohio Department of Education
File, ESCLEW

**EXHIBIT A
TO
NOTICE OF INTENT TO SUSPEND OPERATION
OF COMMUNITY SCHOOL PURSUANT TO R.C. 3314.072**

On July 15, 2015, FCI Academy submitted a probationary corrective action plan to the Educational Service Center of Lake Erie West (ESCLEW) showing a year end FY 2016 net operating income of \$7,184, based on enrollment of 325 students. This operating income does not include deferred debt.

On July 29, 2015, FCI Academy presented the ESCLEW with financials that showed an approximate FY 2015 year end deficit of \$43,996 in their cash position report and a FY 2016 ending cash balance of \$330,504.

On July 29, 2015, FCI Academy's projections were built on enrollment increases of over 100 additional student enrollees in FY 2016. The enrollment has not significantly grown over the last few years and has, in fact, decreased. The enrollment projections were unreasonable.

On August 6, 2015, after reviewing documents submitted by FCI Academy to ESCLEW via Epicenter, the ESCLEW noticed a single general operating fund deficit balance of over -\$309,000.

On August 10, 2015, the cash position financials showed a combined general fund balance as of June 30, 2015 of -\$92,299 with an ending FY 2016 cash balance of \$180,248. This ending cash balance of 182,248 is significantly lower than that shown a few days previously.

None of these cash balances pay down deferred debt. None of the cash balances match each other or the probationary corrective action plan submitted on July 15, 2015.

On August 6, 2015, the licensed school treasurer, Nicholas Dill, did not know and could not explain the reconciliations or provide an accurate cash balance. The ESCLEW had requested cash balance information from Mr. Dill during the July 29, 2015 meeting.

Audit reports of FCI for FY 2013 and FY 2014 have shown that FCI Academy passed a balanced budget by continuing to defer debt and borrow from private individuals for the third year in a row, to make ends meet.

On August 10, 2015, FCI Academy made representations that it would "operate in the black" by the end of August 2015. In that same writing, FCI states that it will fully satisfy all debt by the end of February 2016.

As submitted on August 4, 2015, FCI Academy has deferred debt and vendor debt of over \$525,890. On August 10, 2015, FCI Academy stated that various creditors will forgive \$206,793.56 of the total debt, leaving approximately \$319,097 still due.

One creditor of FCI Academy has filed for Chapter 11 reorganization in bankruptcy and will have a \$90,293.67 claim against FCI Academy in the bankruptcy estate. This is not a liquidation. The debt will need to be paid.

FCI has not paid its taxes, owing federal withholding and Medicare taxes of over \$50,000.



Educational Service Center of Lake Erie West Community Schools Center

**EXHIBIT B
TO
NOTICE OF INTENT TO SUSPEND OPERATION
OF COMMUNITY SCHOOL PURSUANT TO R.C. 3314.072**

High Stakes Review Evaluation – FCI Academy

Beginning on April 29, 2015, the Educational Service Center of Lake Erie West (ESCLEW) conducted a high stakes review of FCI Academy. This review was conducted in accordance with the performance accountability framework provided in Attachment 11.6 of the Community School Contract.

The review was conducted through file reviews, financial/compliance document review, in-person interviews, and classroom and building observations. The review was conducted by relevant ESCLEW staff – Apryl Morin, Emilie Vassar, Trevor Walsh, Brian Knight, Sherry Kapes, and Linda Moye. General observations from the review team are listed below.

I. Academics and Student Performance

A. Local Report Card (LRC)

- a. FCI Academy has had a five year trend of decreasing Performance Index (PI) scores. Over the last 5 years, the score has gone from a 92.0 to a 71.8 out of a possible 120. The last two years of scores have resulted in a D rating for PI and also an F for the number of indicators met. In 2013-2014, only 6 out of 24 indicators for PI were met, and none were met for grades 3-8. *The Performance Index score measures the test results of every student, not just those who scored proficient or higher. 24 indicators in grades 3-12 measure what percentage of students are passing the state tests in core subject area – math, reading, science, and social studies. At least 80% of students must pass to get credit for the indicator.*
- b. FCI Academy has received an F grade for Overall Value-Added for two years in a row. *Value-added determines whether each student is receiving at least a year's worth of growth.*
- c. FCI Academy received an F grade for Gap Closing grade for two years in a row. *Gap closing determines how well students are doing in reading, math, and graduation. Gap Closing looks at whether students are succeeding regardless of income, race, ethnicity or disability.*
- d. In 2013-14, FCI Academy received a zero (0) score with no Annual Measurable Objectives (Reading, Math, and Graduation goals) met.
- e. In 2013-14, FCI Academy received an F grade for both 4 year and 5 year graduation rates. The 4 year graduation rates have dropped dramatically over the last 4 years from a high of 85.4% to the current low of 6.7%.

II. Special Education

A. PSI Services Suspension

- a. Due to unpaid bills, speech and psychology services provided by Partners for Success and Innovation (PSI) were suspended for a period of time in April 2015.

- b. Suspension of services meant that the school was out of compliance in providing services to students under their IEPs.
- c. As of the date of review, at least one ETR was past due for completion because of the suspension of services.

B. Documentation and Determination

- a. IEPs lack individuality. All the files reviewed contained a reading, math, and written expression goal. Student goals should align with each specific student's ETR findings.
- b. Each IEP reviewed had a common number of minutes for the student's goals, especially in related services, and IEPs do not appear to be developed for individual student needs.
- c. According to an interview with the Special Education Coordinator, Response to Intervention (RTI) and Title I services are not being provided.

III. School Operations

A. Staffing

- a. FCI employs both a full-time EMIS and a full-time attendance clerk for roughly 290 students. According to interviews with staff, the attendance clerk is responsible for upkeep of the general education student files, which review found to be highly disorganized and often missing required documents.
- b. FCI employs a full-time Human Resources assistant. According to interviews with staff, she is responsible for staff contracts, which happen only once a year.
- c. Through an interview with Marsha Porter, the Director of the North Campus and Kindergarten Village, as well as subsequent interviews with FCI staff, Ms. Porter does not seem to have the necessary understanding of curriculum, state content standards, interventions needed for struggling students, etc., to provide appropriate leadership and guidance to the instructional staff at those locations. Staff also seemed consumed about her role and about who was responsible for coordinating curriculum and reviewing and approving lesson plans.

B. Student Files

- a. No sign-in sheets are available to track who checks out and reviews files.
- b. Student files were missing current grade cards, state testing results, and current vision and hearing screening updates.
- c. No previous school transcripts are in the files for students who enrolled in twelfth grade, making it impossible to verify what courses the students need to be enrolled in for graduation requirements.
- d. Emergency medical release forms have not been updated since students initially enrolled. Many original forms date back multiple years.

C. Compliance

- a. As of the date of this evaluation, FCI has seven past due items in Epicenter and has been consistently untimely in its submissions during the 2014-15 school year, turning in items on time only 41% of the time.

- b. CAP stated that school would submit at a 90% on-time rate for all compliance submissions starting in January 2015 and submit all missing documents by that time.
 - i. One item due in August 2014 is still missing.
 - ii. School has submitted only 48% of items on time since January 2015.

IV. Fiscal Management

A. Failure to Follow 2014-15 Corrective Action

- a. Financial CAP stated that all expenses great than 60 days old would be paid by March 31, 2015, but the schools still has significant debts in this area
- b. Financial CAP said that school would submit a monthly aging reports to ESCLEW starting in January to show progress, but it has not done so. In fact, even regular financial reports have been inaccurate and untimely in this time period.

B. Past Due Invoices and Deficit

- a. FCI's end of year cash balance deficit has increased significantly over the past two years and was at \$499,406 at the May 2015 five year forecast update. Plans to reduce deficit seem to be focused on unrealistic increased enrollment – from 290 in 2015 to 420 in 2016.
- b. In May 2015, a financial report showed \$484,610.63 in past due invoices, and \$163,376.64 for invoices over 90 days past due. This reflects an increase in total past due invoices of nearly \$128,000 since June 2014.
- c. In an email from Chad Monahan on June 1, 2015, he stated that the foundation payment received in the month of March did not cover payroll.
- d. Unpaid invoices to PSI resulted in the suspension of special education services, as noted above.

C. Enrollment

- a. Enrollment has decreased throughout the 2014-15 school year, yet the school relies on unrealistically high enrollment numbers to justify fiscal health for 2015-16 school year.

D. Facilities and Vendors

- a. FCI has high rental costs for the use of three different facilities which are not currently being fully utilized by student population.
- b. FCI provides food services and has not conducted an analysis of cost savings for an outside vendor to supply meals.

E. Other

- a. Asset inventory did not include values or asset tags.
- b. FCI transitioned from QuickBooks to USAS mid-school year, which resulted in inaccurate and untimely financial reporting to ESCLEW, including the failure to provide financial reports for January and February 2015.

Based on the observations listed above, ESCLEW has concluded that FCI Academy should be placed in probation or be suspended for the 2015-2016 school year, and the ESCLEW Governing Board has voted to do place the school in probation. This probationary status shall not extend beyond the end of the 2015-2016 school year if all issues are addressed.

The Governing Authority of FCI Academy must provide ESCLEW with reasonable assurances that the School can and will take the actions necessary to remedy the conditions that warrant a probationary status finding. Attached with this evaluation, please find a template for corrective action. This template will provide the basis of the School's assurance to ESCLEW. Please provide a draft of the corrective action that the school will take no later than **July 15, 2015**. ESCLEW may require revision to the corrective action plan prior to its acceptance.

Further, ESCLEW has significant concerns about the financial viability of the school for the 2015-16 school year. If a school is at risk of closure or not making payroll during the school year, the Governing Authority should take careful consideration of whether it will choose to open the school at all. Please provide ESCLEW with a financial plan demonstrating financial viability for the 2015-16 school year, based on realistic enrollment numbers, no later than **July 15, 2015**. If ESCLEW is not satisfied with the financial plan, then its Governing Board may move toward suspension.