



**State Auditor & Inspector Cindy Byrd**

**October 2020**

## **Epic Investigative Audit**

### **Investigative Audit of Epic Charter Schools Raises Concerns for Every Oklahoma Taxpayer, State Auditor Says**



OKLAHOMA CITY - State Auditor & Inspector Cindy Byrd released today Part One of a two-part Investigative Audit of Epic Charter Schools and related entities.

The special audit was ordered by Governor Kevin Stitt in July 2019.

The more than 100-page report, for audit years FY2015-FY2020, found that Epic Charter Schools designed an administrative system inconsistent with the Oklahoma Charter School Act and its charter agreements.

There are 21 findings from the year-long audit, including:

- Epic spent almost \$3 million on advertising in three months to recruit new students
- Epic has paid almost \$80 million into the Student Learning Fund which is managed by founders Ben Harris and David Chaney
- The Student Learning Fund has never been independently audited and the release of its financial records to the State Auditor is currently in litigation
- The State of California has confirmed Epic Charter Schools' Charter Management Organization, Epic Youth Services (EYS), used \$203,000 from the Student Learning Fund - money dedicated for educating Oklahoma children - to help with start-up expenses for Epic-California (Epic-CA)

- Epic's founders used Oklahoma school personnel to operate its California counterpart including \$210,000 to develop Epic-CA and these funds were only repaid after the State Auditor discovered the transfer and made inquiries into the expenditure
- Harris and Chaney pledged credit from Epic Charter Schools (Oklahoma) bank accounts as collateral to obtain a half-million-dollar loan to run their for-profit venture in California

Read the full report [here](#).

## State Auditor Addresses Interim Studies on County Government and County Road & Bridge Funding



State Auditor & Inspector Cindy Byrd appeared before the House County and Municipal Government Committee's Interim Study on Tuesday, September 8, 2020. The interim study focused on clearly defining the role of various levels of government from the state to county and the municipal level in the wake of COVID-19.

Byrd spoke to legislators about the structure of county government and the many roles of the board of county commissioners in each county.

"County government has very extreme laws put in place for transparency – more so than any other level of government," Byrd said. "County government mimics state government and is broken out into different divisions."

Byrd addressed the monthly and annual reporting requirements of each county that are printed in local newspapers and submitted to the State Auditor to keep the public informed on the receipt and expenditure of public funds.

She also compared various county offices and the county equalization board to a similar counterpart at the state level making sure budgets are properly executed, procedures are followed in making purchases, and expenditures are accurately documented.

The agency's County Audit Division conducts annual financial statement audits of Oklahoma's 77 counties on a two-year cycle.

**On Tuesday, September 29, 2020**, Byrd addressed the Senate Appropriations Committee Interim Study on the funding allocation for the County Improvements for Roads & Bridges (CIRB) Program.

She stressed the importance of the \$120 million appropriated annually to the CIRB program.

"It's important to know how little funding is typically available from longtime sources for County Highway funds," Byrd said. "These revenue streams primarily cover payroll expenses and costs to maintain county roads and bridges. There's

no real money here for capital projects and that's why the CIRB program is important to improving the state's infrastructure of rural roads and bridges."

The interim study was requested by Senator Chuck Hall to examine both the program's award standards and its successes and failures.

## SAI – One of Oklahoma's Top Audit Shops

### Who Audits the Auditor?

The Office of the State Auditor & Inspector's (SAI) financial reports are independently audited annually and the agency undergoes a Peer Review audit every three years. SAI repeatedly receives high marks in both audit reports.

The independent annual financial statement audit reports for the last eight years are available at [www.sai.ok.gov](http://www.sai.ok.gov). Click on "About the Agency" and then "Independent Auditor's Report" to view the reports.

The Peer Review is conducted by a team of auditors from various state audit agencies as prescribed by the National State Auditors Association. A state audit shop either passes, passes with deficiencies, or fails. As you might imagine, this is a rigorous and thorough review to assess conformity with Government Auditing Standards.



SAI received a peer review rating of pass. To read the report, click on the image above.

It's important that we conduct our business in the same manner we expect other public entities to conduct their business and it's our employees who really make the difference.

SAI contains a wealth of education, knowledge, and auditing experiencing among its personnel.

As one of the state's top audit shops, SAI boasts more than 530 years of experience among its audit managers, directors, and administrators. Individual work experience in conducting all types of government audits ranges from 16 years to 39 years.

SAI's 118 dedicated public servants includes 17 Certified Public Accountants, 7 Certified Fraud Examiners, 6 Certified Internal Auditors, and 3 Certified Government Financial Managers.

In the audit world, all auditors are accountants but not all accountants are auditors. We're understandably proud of the specialized skills our auditors employ each day in their work as the taxpayer's watchdog.

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## COVID-19

### Working Through the Crisis



SAI is carrying out its mission like many other businesses and agencies - by implementing teleworking practices during the time of COVID-19.

The importance of reviewing and reporting the expenditure of tax dollars may be even more significant because of the recent pandemic. Schedules, routines, common practices, and procedures designed to safeguard public funds have

been disrupted which could result in increased fraudulent activity or waste of resources.

SAI is utilizing digital technology to stay connected with its clients, financial data, and each other to remain both efficient and effective in its audit work.

Accountability and transparency in the expenditure of taxpayer dollars is at the center of every type of audit the agency conducts

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## CARES Act Funding – Accountability & Transparency



COVID-19 impacted the lives of Oklahomans in many different ways.

From the closing of businesses and schools, to increased supplies of Personal Protective Equipment, and updated websites to address health concerns and unemployment - federal tax dollars by the CARES Act relief measure have been flowing into the Sooner state.

SAI is tracking this funding and continuing to gather financial information for review as part of both the state's Comprehensive Annual Financial Report and the federal Single Audit which reviews the receipt and expenditure of federal funds by public entities.

Oklahoma received \$1.26 billion in CARES Act funding and has spent \$65.3 million, roughly half, to date. There are between 150-200 other programs receiving CARES Act funding and we are in the process of gathering necessary financial data to examine the expenditure of these funds.

Thus far, funds have been distributed or are in the process of being sent to the state's various school districts and municipalities for COVID-19 related expenditures. Significant funding was received by the Oklahoma Employment Security Commission for unemployment relief.

The State Department of Health similarly received funds to address testing for the virus, the state's hospital surge plan, and other health concerns. An audit is already underway at this agency as requested by Attorney General Mike Hunter.

SAI's State Agency Audit Division and Performance Audit Division have been hard at work for several months with the audit process to ensure accountability and transparency in both the receipt and expenditure of these funds.

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## Capitol Renovation



The new Visitor Center entrance at the State Capitol officially opened on September 16th when Governor Kevin Stitt cut the ribbon.

The new public entrance is located on the southeast corner of the building and accessible from the South Plaza.

The entrance is fully ADA compliant and contains a

vestibule with a map of Oklahoma inlaid in the marble floor where groups may gather before entering the building.

Visitors may also connect to the vestibule from below ground through the newly refurbished and waterproofed tunnel connecting the Capitol building to the East parking lot across northbound Lincoln Blvd. After clearing security, guests may utilize a large touchscreen kiosk to locate their destination in the building or see a list of events and announcements.