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January 25, 2018

Tim Taylor
Butte County Superintendent of Schools
1859 Bird Street
Oroville, CA 95965

Nena Anguiano
Blue Oak Charter Counsel President
450 West East Avenue
Chico, CA 95926

Dear Mr. Taylor and Ms. Anguiano,

Chico Unified School District (CUSD) is currently the authorizing agent of Blue Oak Charter School (Blue Oak) and this letter serves as our official response to the Extraordinary Audit, dated November 16, 2017, of the school's finances performed by the Fiscal Crisis and Management Assistance Team (FCMAT). Blue Oak noted in their letter of acceptance of the audit a number of corrective actions taken to prevent future fraudulent activities. CUSD makes the following observations and requests to ensure Blue Oak is taking the proper steps to comply with their stated corrective actions:

Actions Taken During the 2016-17 school year:

- The school notes they removed the previous Business Manager. CUSD requests the name and title of the person now filling this position for the school.
- CUSD requests documentation supporting new policies and procedures for cash handling, credit card use, and nepotism.
- CUSD requests a copy of the contract with a new audit firm. (CUSD acknowledges a financial audit is not designed to determine if fraud has occurred)
- CUSD supports the school's Charter Counsel posting agendas and minutes on the school's website.
- CUSD requests supporting documentation of the Executive Director and Business Office Assistant attending FCMAT fraud prevention training for charter schools.

Blue Oak Organizational Culture:

- CUSD requests copies of the updated conflict of interest by-laws and employee handbook.
- CUSD requests information regarding the specific training that will be provided to Blue Oak Charter Counsel members and who will provide the training.
- CUSD requests a copy of the revised by-laws showing the terms of council members allowing for transitional time as noted by Blue Oak.

Policies and Procedures:

- CUSD requests copies of Blue Oak's policies and procedures noting changes, additions, and corrections related to their response to the extraordinary audit.

Organizational Structure:

- The Director of Operations should not be an independent contractor and may not meet the Internal Revenue Service (IRS) definition of an independent contractor if he/she is involved in the daily operations of the school. It is recommended this position either be an employee or re-assign work duties to business office assistant and Back Office Provider.
- CUSD notes the importance of having a consistent, autonomous, and open line of communication between the Charter Counsel and the Back Office Provider.

Training and Implementation:

- CUSD requests a copy of Blue Oak's training plan which should include training topics, dates of training, and who is providing the training.

Chico Unified School District notes the Blue Oak response includes actions in progress. CUSD is concerned that Blue Oak was aware of deficiencies in internal control processes and documentation many months before the extraordinary audit was complete. Many of the corrective actions related to policy review and development should already have been implemented.

CUSD appreciates Blue Oak's acceptance of the extraordinary audit and its attempts to change their organizational culture, policies and procedures, organizational structure, and administrative practices. An important piece of evidence of the school's commitment to change will be in providing the documentation of the actions the school claims to implement in their response to the audit. We hope these changes will ensure a quality educational program, supported by strong fiscal management, will be offered to the students and families of the Blue Oak Charter School.

Sincerely,



Kevin J. Bultema
Assistant Superintendent Business Services
Chico Unified School District

Cc: Susan Domenighini, Interim Executive Director, Blue Oak Charter School
Susan Lefkowitz, Charter Schools Management Company (CSMC)
John Bohannon, Director State and Federal Programs, Chico Unified School District
Kelly Staley, Superintendent, Chico Unified School District