

OUACHITA PARISH CHARTER SCHOOL –
LEARNING SOLUTIONS, INC. - VISION ACADEMY



INVESTIGATIVE AUDIT
ISSUED AUGUST 28, 2019

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 28, 2019

**DR. LATOYA JACKSON, CEO/EXECUTIVE DIRECTOR,
AND MEMBERS OF THE BOARD OF DIRECTORS,
LEARING SOLUTIONS, INC. d/b/a VISION ACADEMY**
Monroe, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, *et seq.* to determine the validity of complaints we received.

We found that Learning Solutions, Inc. (LSI) may have improperly used state Minimum Foundation Program (MFP) funds to obtain a line of credit to open Dream Academy, a private day-care/pre-K school. LSI received the MFP allocations because Vision Academy was a Type 2 charter school.

When Vision Academy's charter ended June 30, 2019, the MFP money should have been returned to the state Board of Elementary and Secondary Education (BESE), which authorized the charter.

However, we found that LSI used \$100,000 in MFP funds to buy a certificate of deposit (CD) and then pledged the CD as collateral to obtain the line of credit to pay expenses to open Dream Academy. As a result, the money cannot be returned to BESE, and those LSI board members and officers who agreed to the CD purchase may have violated state law and the state Constitution.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and were not an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation or other form of assurance with respect to the information upon which our work was based.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report. Copies of this report have been delivered to the District Attorney for the Fourth Judicial District of Louisiana and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa
LSVISIONACADEMY

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BACKGROUND AND METHODOLOGY

Learning Solutions, Inc. (LSI) is a Louisiana nonprofit corporation that operated Vision Academy as a Type 2 charter school in Monroe, Louisiana from July 1, 2014 through June 30, 2019. Pursuant to the Charter School Contract for Type 2 Charter Schools (Contract) entered into between LSI and the Louisiana Board of Elementary and Secondary Education (BESE), Vision Academy would enroll boys and girls in grades:

- 9 -12, from July 2014 - June 2016;
- 7 - 12, from July 2016 - June 2017; and
- 6 - 12, from July 2017 and on.

The Contract projected Vision Academy would add grades 6, 7, and 8 over the four-year initial Contract term and grow enrollment from 200 to 300 students. Vision Academy added grade 8 in the July 2017 to June 2018 school year and grade 7 in the July 2018 to June 2019 school year. Vision Academy's records show that by the July 2018 to June 2019 school year, 146 students were enrolled in grades 7-12.

Funding for Type 2 charter schools is provided through the Minimum Foundation Program and is based on a school's student count. BESE declined to renew the Contract beyond June 30, 2019, and Vision Academy ceased being a Type 2 charter school at that time.

In June 2018, LLA received a complaint that LSI had misused public funds. This audit was initiated to determine the validity of that complaint.

The procedures performed during this investigative audit consisted of:

- (1) interviewing select LSI and Vision Academy employees, board members, and other persons, as appropriate;
- (2) examining selected LSI and Vision Academy documents and records;
- (3) gathering and examining external parties' documents and records; and
- (4) reviewing applicable state laws and regulations.

FINDING AND RECOMMENDATION

Public Funds Improperly Used and Retained by Charter School Operator

Learning Solutions, Inc. (LSI) d/b/a Vision Academy pledged public funds to secure a revolving line of credit to open a daycare/pre-K school owned by an LSI subsidiary, Dream Academy, LLC. Vision Academy’s charter ended on June 30, 2019. However, as of August 2, 2019, those public funds remained pledged and unable to be returned to the Board of Elementary and Secondary Education (BESE). By pledging public funds as collateral for a loan that was used to open a private daycare/pre-K school in a subsidiary’s name and failing to remit public funds used as collateral upon termination of the Vision Academy charter, LSI board members and officers participating in the decision-making process may have violated the state constitution and state law.¹

LSI is a Louisiana nonprofit corporation that registered with the Louisiana Secretary of State (SoS) in November 2005. LSI operated a charter school under the name “Vision Academy” from July 1, 2014 through June 30, 2019. Vision Academy was founded by Dr. Latoya Jackson, who served as Vision Academy’s CEO/Executive Director during its time as a charter school.

Vision Academy became a Type 2 Charter School on July 1, 2014, and received monthly Minimum Foundation Program (MFP) allocations from the Louisiana Department of Education (DOE) until Vision Academy’s charter expired on June 30, 2019. A Type 2 Charter School’s initial MFP funding is based on projected student enrollment and projected dollar per student. The amount of funding may be adjusted during the year to reflect the actual student count, staff count, and prior-year local revenues.

LSI’s records show LSI transferred \$200,000 from its operating account at Capital One Bank – which consisted primarily of MFP funds it received from DOE to operate Vision Academy – to open a money market account in LSI’s name at Homeland Federal Savings Bank (Homeland Bank) in September 2016. Approximately seven weeks later, in November 2016, LSI used \$100,000 of the \$200,000 in the money market account to purchase a Homeland Bank Certificate of Deposit (CD) in LSI’s name.

Records obtained from Homeland Bank included an October 31, 2016, “Unanimous Written Consent of Directors in Lieu of Meeting of the Board of Directors”^A of LSI authorizing Dr. Jackson to:

- Use \$100,000 to purchase the CD in LSI’s name,
- Borrow \$100,000 in a revolving line of credit in LSI’s name, and
- Pledge and assign the CD as collateral to secure the LSI’s revolving line of credit.

However, the Unanimous Consent was silent as to how the \$100,000 revolving line of credit could be used and by whom.

Homeland Bank’s records also included a November 2, 2016, “Unanimous Written Consent of Directors in Lieu of Meeting of the Board of Directors” of LSI that authorized Dr. Jackson to open a checking account in the name of Dream Academy, LLC.^B It further authorized Dr. Jackson or the then-LSI Secretary/Treasurer to sign on Dream Academy, LLC’s account, “with only 1 signature required, in an unlimited capacity.” However, like the October 31, 2016, Unanimous Consent, it made no reference to the use of the \$100,000 revolving line of credit and Dream Academy, LLC.

Homeland Bank records show the CD and the line of credit were opened on November 3, 2016. Both the CD and the line of credit were for 12-month terms and were extended for an additional 12 months after the initial term.

LSI’s first draw on the line of credit was for \$70,000 and was the opening deposit into Dream Academy, LLC’s Homeland Bank account on November 3, 2016. Three additional draws, totaling \$30,318, were made between December 27, 2016 and March 1, 2017, which were also deposited into Dream Academy, LLC’s Homeland Bank account.

^A The Unanimous Written Consent of Directors in Lieu of Meeting of the Board of Directors of LSI, which on its face was executed on October 31, 2016, contained the CD account number Dr. Jackson was authorized to purchase; account numbers typically are not known until an account is opened and a CD is issued. Moreover, the Unanimous Consent states it was executed pursuant to Louisiana Revised Statute (La. R.S.) 12:1-821; however, La. R.S. 12:1-821 applies to Louisiana business corporations. La. R.S. 12:233 is the analogous provision that applies to Louisiana nonprofit corporations such as LSI. La. R.S. 12:233 requires the Unanimous Consent be “signed by all of the members having voting power on the particular question.” In this case, the Unanimous Consent was signed by LSI’s Chairman of the Board/President and attested to by the Secretary/Treasurer, but was not signed by LSI’s remaining board members. Four of LSI’s board members signed an undated resolution; however, the resolution does not use the language of the Unanimous Consent, but, rather, names Dr. Jackson as “fiscal agent on all financial matters for fiscal year 2018-2019 as of October 31, 2018.” Finally, even if the Unanimous Consent was valid, La. R.S. 17:3996(B)(9) provides that charter schools are subject to the Louisiana’s Open Meetings Law (La. R.S. 42:11, *et seq.*) in their capacity as a charter school. La. R.S. 42:14(C) provides: “All votes made by members of a public body shall be viva voce and shall be recorded in the minutes, journal, or other official, written proceedings of the body, which shall be a public document.” The Louisiana Attorney General has opined that “viva voce” means a vote with a “live voice,” and that the person voting must be physically present. See Louisiana Attorney General Opinion No. 11-0070. Thus, it appears that LSI could not validly authorize the use of MFP (public) funds via a written vote, even if done unanimously.

^B The Unanimous Consent executed on November 2, 2016, suffers from the same deficiencies as the one executed on October 31, 2016. Those deficiencies are discussed extensively in Footnote A.

Homeland Bank records show that LSI's money market account and interest earned on LSI's CD were used to make eight payments, totaling \$3,855, on the line of credit between January 17, 2017 and May 22, 2018; these payments appear to be interest payments and related fees on the line of credit. In sum, it appears that LSI provided Dream Academy, directly or indirectly, with at least \$104,173.^C

Dr. Jackson told us Dream Academy, LLC was a pre-K program and was separate from the Vision Academy charter school (a high school teaching grades 9 - 12). Dr. Jackson further told us that LSI's attorney set up Dream Academy, LLC. LSI's attorney confirmed that he created Dream Academy, LLC as LSI's subsidiary, but told us he had limited discussions with Dr. Jackson regarding Dream Academy, LLC. He specifically recalled telling Dr. Jackson to keep the finances of Vision Academy separate from the finances of Dream Academy, LLC.

Dream Academy, LLC operates in a leased building located on a Monroe church's (Church) campus. The building was previously used as the Church's daycare but fell into disuse and disrepair. The agreement between Dream Academy, LLC and the Church, dated November 23, 2016, was for a 24-month lease of a detached "preschool building." The lease specified monthly rent of \$3,000, but the rent could be offset by repairs, replacements, and maintenance costs paid by Dream Academy, LLC.

Dream Academy, LLC submitted a business plan to Homeland Bank that references a potential \$100,000 line of credit to be used to purchase furniture and fixtures, bring the center up to state code, broaden the scope of activities and learning tools that are presently used, hire teachers and additional staff, fund payroll, and expand marketing activities. The "For" – or memo – line on Dream Academy's checks suggests funds from the line of credit were used for electrical, plumbing, roofing, air conditioning, and other renovation/repair costs. No rent payments were made to the Church, suggesting the repairs paid for by Dream Academy were in lieu of rent payments. Dr. Jackson told us the loan proceeds were used to rebuild a building for a pre-K program. The LSI board minutes we reviewed do not authorize use of LSI's line of credit to refurbish or otherwise make leasehold improvements on a building to be used by Dream Academy, LLC. Moreover, the credit application for the revolving line of credit stated the specific purpose of the loan was "operating expenses^D to open Dream Academy, LLC." In this case, it appears the line of credit paid for more leasehold improvements^E to the daycare facility than it did operating expenses.

^C \$70,000 initial draw/opening deposit plus three additional draws totaling \$30,318, plus eight interest payments/fees totaling \$3,855 equals \$104,173.

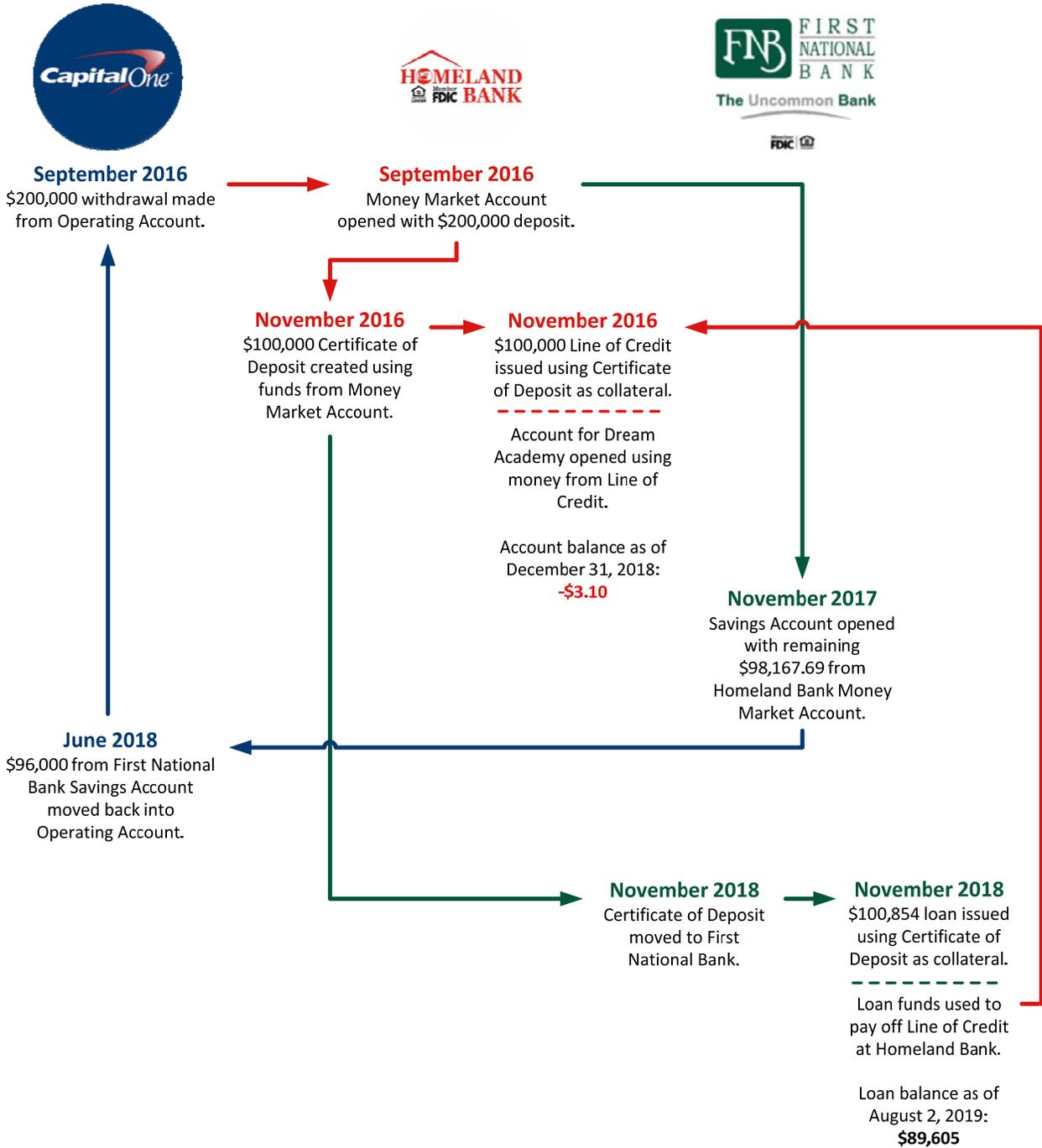
^D According to https://www.investopedia.com/terms/o/operating_expense.asp, "An operating expense is an expense a business incurs through its normal business operations. Often abbreviated as OPEX, operating expenses include rent, equipment, inventory costs, marketing, payroll, insurance, and funds allocated for research and development."

^E According to <https://www.investopedia.com/terms/l/leaseholdimprovement.asp>, "Rent discounts may be offered for leasehold improvements as well. The landlord offers the tenant free or reduced rent for a set number of months, such as one free month per year on the lease, as a means for the tenant to save on space alterations. The tenant typically oversees the project and has control over the lease improvements. The tenant is also responsible if costs exceed the budgeted amounts. In addition, rent may be raised at a later date, causing the tenant to pay more for the space long term."

LSI's records show the \$98,167.69 balance of the money market account at Homeland Bank was transferred to LSI's savings account at First National Bank on October 23, 2017. Two withdrawals, totaling \$96,000, were made from this savings account and deposited to LSI's Capital One operating account in June 2018.

LSI's Homeland Bank CD was redeemed on November 13, 2018, and a new \$100,000 CD account was opened at First National Bank on November 14, 2018. LSI used the new CD as collateral for a \$100,000 loan from First National Bank, dated November 14, 2018. First National Bank records included a Corporate Resolution to Borrow/Grant Collateral for the assignment as collateral of the \$100,000 CD. Loan proceeds from First National Bank apparently were used to pay off the Homeland Bank line of credit on November 14, 2018. The balance of the line of credit as of August 2, 2019, is \$89,605.

Flow Chart Illustrating the Transfer of Funds



By pledging public funds as collateral for a loan that was used to open a private daycare/pre-K school in a subsidiary's name and failing to remit public funds used as collateral upon termination of the Vision Academy charter, LSI board members and officers participating in the decision-making process may have violated the state constitution and state law.¹

Recommendation

We recommend that LSI contact the Department of Education to determine the appropriate steps to transfer any assets and to remit public funds used as collateral for line of credit used to open Dream Academy, LLC.

LEGAL PROVISIONS

¹ **Louisiana Constitution Article VII, Section 14(A)** states that, “Prohibited Uses. Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private....”

La. R.S. 17:89.1, Pledge and deposit of Minimum Foundation Equalization Distribution Funds provides:

A. As used in this Section the following words and phrases shall have the following meaning unless the context otherwise requires. (1) "Minimum Foundation Equalization Distribution Funds" shall mean such funds appropriated to parish school boards under the authority of Article VIII, Section 13(B) of the Louisiana Constitution of 1974. (2) "Note" or "notes" shall mean any note, certificate, or other evidence of indebtedness issued by a parish school board pursuant to the authority of R.S. 17:89. (3) "Public trust" shall mean any public trust and public corporation organized pursuant to state law having for its beneficiary the state. (4) "Restricted account" shall mean the sinking fund subaccount for the notes established by any parish school board pursuant to this Section to receive directly from the state its allocation of the Minimum Foundation Equalization Distribution Funds.

B. In connection with the issuance of any note or notes, a parish school board may direct its treasurer to create restricted accounts for the segregation of the Minimum Foundation Equalization Distribution Funds and revenue income therefrom, or other sums, and parish school boards may pledge any such accounts to and create liens thereon in favor of the public trust as the registered owner or holder of the note or notes which pledge or lien shall have such priority of lien on the revenues of such account as is provided for statutory charges pursuant to R.S. 33:2922.

C. Notwithstanding the provisions of R.S. 33:2928 et seq., R.S. 39:1211 et seq. or any other provision of law to the contrary, parish school boards are empowered to establish restricted accounts in any bank domiciled in the state. A parish school board may direct the Department of Education to direct the state treasurer to make payment of the Minimum Foundation Equalization Distribution Funds allocated to such parish school board for its then current fiscal year directly to such restricted account.

D. The state, through the office of the state treasurer, is hereby authorized to accept the irrevocable direction of a parish school board made through the Department of Education to deposit its respective allocation of the Minimum Foundation Equalization Distribution Funds directly to a restricted account, and thereupon the state treasurer shall be required to make payments of all remaining Minimum Foundation Equalization Distribution Funds for the then current fiscal year allocable to such parish school board directly to such restricted account.

E. A parish school board shall direct the bank at which it is maintaining its restricted account to apply monies in the restricted account to satisfy any scheduled sinking fund payment obligation created by a parish school board in connection with the sale of its note; provided however, upon satisfaction of such sinking fund payment obligation a parish school board may direct the bank to remit Minimum Foundation Equalization Distribution Funds received by it directly to said parish school board or to otherwise accept and remit funds to and from the restricted account.

F. Any pledge made by parish school boards pursuant to this Section shall be valid and binding from the time the pledge is made. The revenues and monies so pledged and thereafter deposited in the restricted account shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the act of such pledge shall be valid and binding against all parties having claims of any kind in tort, by contract or otherwise against such pledging parties, irrespective of whether such claiming parties have notice of such lien. The resolution, ordinance, or other instrument by which a pledge is created need not be recorded. G. Any agreements between the state and the public trust necessary or convenient to effect the pledge of the Minimum Foundation Equalization Distribution Funds or otherwise provide for the security or repayment of the notes are authorized and approved and may be entered into without the approval of any governmental board, commission, agency, office, or instrumentality other than the State Bond Commission, notwithstanding the provisions of R.S. 9:2347(J) or any other provision of law to the contrary. H. The security procedure authorized by this Section is an alternative method for securing notes and its use is within the complete discretion of a parish school board. The alternate procedure for securing notes authorized by this Section may be utilized by a parish school board only if such parish school board has no previously issued and outstanding notes which are not secured by said alternate security procedure.”

APPENDIX A

Management's Response



: LSI DRAFT RESPONSE
LATOYA JACKSON to: kkelley

08/26/2019 09:49 AM

History: This message has been forwarded.

LSI would like to Thank the Louisiana Department of Education for the partnership opportunity. Within this five year partnership, we were able to transform and recalibrate the destiny and trajectory of nearly thousands of children. We are forever grateful.

Although, LSI operated under the direct advisement of retained counsel, we have been made aware of the error in the advisement as well as the statue listed which pertains to parish boards and its' review.

LSI is working towards an immediate resolve through its' efforts in securing parties to work with the Louisiana Department of Education in its' behalf. The funds, as mentioned, have always remained in the bank as mentioned in the report and will be released to the Louisiana Department of Education as recommended.

It has been through our nearly 3 decades of experience, that we have become more comprehensively driven towards our continued efforts to extend the restorative "olive branch" of transformative hope through resilient education efforts to students and communities.

The partnership with the Louisiana Department of Education through its' publicly funded charter demonstration law provided us with the opportunity to assist students from multiple parishes that we would not have otherwise been able to educate.

We were able to pull students out of storage houses, push them to college and across college stages; empower and employ parents; ignite students to pursue and accomplish dreams deferred ;become a leading defense to indigent black boys and send them to 4 yr colleges on scholarship, empower employees and accelerate nearly thousands of students who could not emerge within a traditional framework.

Vision Academy has graduates who are now pursuing law degrees, working as chefs at Disneyland in Orlando, Florida, who have become, LPN, United States Soldiers, who have escaped the sex trafficking ring and graduated college, many , hundreds even, who were kicked out of other local schools and told that they needed to drop out and get a trade because of their age, but who said that were led to come to Vision Academy ;instead and have since graduated and received full scholarship to 4 year Universities; students who have gone on to Yale University, black men who were facing 18 years in prison are now juniors and seniors in four year University, the stories are endless; teen mothers of two or more children who learned the power of will and entrepreneurship and were able to start ,operate and continue small businesses and much, much, more. All this accomplished through 24hr sacrifice from staff and dedicated faculty, and essentially taking a deep dive into the essence of our children through a systematic approach.

We are passionate. We are convinced.

LSI understands that education trails behind every other industry in the global economy when it comes to change and innovation. Our efforts , realigns that trail for emerging populations and places them back in the race.

Again, our deepest and heartfelt Thank you to all those involved in this process.