

February 16, 2016

VIA FedEx and Email

cariasromero@cde.ca.gov
California Department of Education
Attn: Ms. Celina Arias-Romero
1430 N Street
Sacramento, CA 95814

Re: UCP Complaint against Magnolia Public Schools

Dear Ms. Arias-Romero:

Enclosed is a complaint brought by the undersigned against Magnolia Educational & Research Foundation, d/b/a Magnolia Public Schools (“Magnolia”), pursuant to the California Uniform Complaint Procedures. 5 C.C.R. §§ 4600-4687. We believe direct state intervention is warranted and that the California Department of Education should investigate Magnolia because we, along with every taxpayer in California, will suffer immediate, irreparable harm if Magnolia is allowed to expand its operations in California in light of its serious record of ongoing noncompliance with state and federal law regarding the use of its public funds.

Magnolia is a charter management organization that operates a network of eleven California charter schools throughout the state. Magnolia receives state and federal funding to operate its schools, and the complaint presents evidence that Magnolia’s network-wide financial and operational practices are in conflict with state and federal law. Magnolia currently seeks significant expansion through the submission of eight new charter petitions throughout California this year. Direct state intervention is appropriate because we would suffer immediate and irreparable harm if these charter petitions are approved due to Magnolia’s network-wide financial and operational practices that are in conflict with state and federal law. Furthermore, because there are several local educational agencies involved and Magnolia is already aware of its illegal business practices and chooses to continue them, it would be futile to file a complaint first with Magnolia itself or any of the local educational agencies where Magnolia is located or seeks to locate prospectively. Direct state intervention is necessary to conduct an investigation of the scale required among these agencies. *See* 5 C.C.R. § 4650(a)(6).

A brief with supporting documentation is included, which will be circulated to key stakeholders throughout California to raise awareness of our serious concerns. We urge you to promptly investigate Magnolia and move swiftly to remedy any unlawful conduct you find.

Sincerely,



Dr. Jose Moreno
Parent, Anaheim



Amsterdam & Partners, LLP



Tina Andres
Parent, Teacher, Union Representative Santa Ana

Enclosures

UCP Complaint

Complainant 1

Name: Dr. Jose F. Moreno
Date of birth: [removed for privacy purposes]
Address: [removed for privacy purposes]
Home phone: [removed for privacy purposes]
Cell phone: [removed for privacy purposes]

Complainant 2

Name: Tina Andres
Date of birth: [removed for privacy purposes]
Address: [removed for privacy purposes]
Home phone: [removed for privacy purposes]
Cell phone: [removed for privacy purposes]
Work phone: [removed for privacy purposes]

Complainant 3

Name: Robert Amsterdam and John Martin, on behalf of Amsterdam & Partners, LLP
Address: The Homer Building, 601 13th Street, NW, Eleventh Floor South, Washington, DC 20005
Work phone: (202) 534-1804
Cell phone: [removed for privacy purposes]

Date of Violation

2009 to present

Implicated LEAs

- Magnolia Educational & Research Foundation d/b/a Magnolia Public Schools
- Anaheim City School District
- Anaheim Union High School District
- Fremont Unified School District
- Garden Grove Unified School District
- Los Angeles Unified School District
- Oceanside Unified School District
- Orange County Department of Education and Santa Ana Unified School District
- San Diego Unified School District
- Santa Clara County Board of Education

Allegation of Noncompliance

Consolidated Categorical Aid, Federal Funding

Complaint Summary

Magnolia Educational & Research Foundation, d.b.a. Magnolia Public Schools is a charter management organization that operates a network of eleven charter schools and seeks exponential growth through the submission of eight new charter petitions throughout California this year. Magnolia receives federal and state funding to operate its schools and is required by law to: (1) use open and competitive bidding practices for its vendors; (2) enforce internal controls to monitor its funding; and, (3) utilize its funding for approved employee expenses. Last year, the State of California commissioned a limited audit of Magnolia and the operations of four of its schools due to suspicions that Magnolia may be improperly using its public funding. Despite the audit’s limited scope, it uncovered extensive evidence of violations of these federal requirements, including: (1) Magnolia grants large contracts to affiliated vendors with numerous overlapping connections with Magnolia’s own employees and board of directors; this nepotistic awarding of contracts poses illegal conflicts of interest and is evidence of rampant self-dealing at the expense of California taxpayers; (2) Over 69% of transactions reviewed at audited Magnolia schools were unaccounted for, evidencing weak internal controls and provoking larger concerns about Magnolia’s use of taxpayer funds; and (3) Magnolia spent hundreds of thousands of tax dollars to secure visas for foreign teachers, which is not an approved employee expense under federal law. Although the State noted these and numerous other red flags in the 2015 audit after reviewing only a sample of Magnolia's transactions and vendor agreements, it has taken no meaningful action since. A comprehensive investigation, both financial and operational, of Magnolia and all of its schools is necessary for the State to fulfill its fiduciary obligations to monitor this organization's spending of federal and state taxpayer dollars.

Basis for Direct State Intervention

Direct state intervention is appropriate because the complainants would suffer immediate and irreparable harm if these charter petitions are approved; Magnolia’s network-wide financial and operational practices are in conflict with state and federal law; and, filing a complaint with the implicated local educational agencies would be futile. *See* 5 C.C.R. § 4650(a)(6).

Additional Information

A brief and supporting documentation are attached.

Signatures

Dr. Jose Moreno: Parent, Anaheim

Tina Andres: Parent & Teacher, Santa Ana

Signed: Jose F. Moreno

Signed: Tina M. Andres

Dated: February 16, 2016

Dated: February 16, 2016

Amsterdam & Partners, LLP

Signed:  _____

Dated: February 16, 2016