

EXHIBIT A

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**IN- THE SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

DISTRICT OF COLUMBIA,
Plaintiff,
v.
OPTIONS PUBLIC CHARTER SCHOOL
et al.
Defendants.

**DECLARATION OF
FREDERIC R. MILLER**

I, Frederic R. Miller, hereby declare as follows:

1. I am a senior partner in the Forensics Practice of PricewaterhouseCoopers LLP (“PwC” or “Firm”) for the Washington DC Metro Market. I have worked for PwC (or one of its Legacy Firms) for more than 25 years. I have spent my entire professional career in the field of Public Accounting. I am the Washington DC Metro Market Leader of the Forensics Practice and the Global Co-Leader of our Firm’s Foreign Corrupt Practices Service Area. I am currently a licensed Certified Public Accountant in both the District of Columbia (License Number CPA 4005) and the Commonwealth of Virginia (License Number 35949). I am a member of the American Institute of Certified Public Accountants, the Greater Washington Society of Certified Public Accountants, the

1 Virginia State Society of Certified Public Accountants and other professional
2 organizations. I am, and have been, for many years a forensic accountant. I have
3 previously been accepted, by numerous courts, as an expert witness in Forensic
4 Accounting, and have provided expert witness testimony, including in past matters before
5 the D.C. Superior Court.

- 6 2. I have co-authored numerous articles in the field of Forensic Accounting and have also
7 co- authored chapters in legal textbooks on Forensic Accounting.
- 8 3. I have also been an instructor on numerous occasions, both within my Firm, and to outside
9 professional groups and client groups on various Forensic Accounting subjects.
- 10 4. In addition to holding a CPA license in two states, I am a Certified Fraud Examiner (or
11 CFE) and am Certified in Financial Forensics by the American Institute of Certified
12 Public Accountants (a CFF).
- 13 5. Educationally, I hold a Bachelor's Degree from Rutgers College in New Jersey and a
14 Master's Degree in Business Administration from the S.C. Johnson Graduate School of
15 Management of Cornell University in Ithaca, NY. I received my undergraduate degree
16 cum laude and was elected to Phi Beta Kappa.
- 17 6. I have significant experience in performing forensic accounting procedures, as well as in
18 conducting investigations, for both private companies, and for nonprofit institutions,
19 including educational institutions. For example, in the past, I was the partner in charge of
20 our Firm's forensic accounting investigation of the officers of the United Way of the
21 National Capital Area.
- 22 7. I and members of my Firm, working under my direction and supervision, were engaged by
23 counsel for the District of Columbia Public Charter Schools Board ("PCSB"), to perform
24 specific Forensic Accounting Procedures and other investigative analysis related to certain
25 allegations regarding the management of Options Public Charter School that had come to
26 the attention of the Public Charter School Board, including, but not limited to, alleged
27 non-arms-length transactions between the school and two for-profit management
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1 companies owned and controlled by the school's managers. We were officially retained
2 for this privileged and confidential work on August 28, 2013.

3 8. For this matter, my Firm is being compensated for my time and the time of my team at a
4 significantly discounted billing rate of \$125 per hour for all PwC professionals involved.
5 Just by way of comparison, my own typical hourly billing rate for similar commercial
6 work ranges from \$ 675 to \$770 per hour, plus out-of-pocket expenses incurred. Neither I,
7 nor my Firm, have any financial interest in the outcome of this matter, and my
8 compensation in this matter is in no way dependent on the substance of my opinion or the
9 outcome of this matter.

10 9. In performing our work on this matter, my team and I:

- 11 a) Developed an initial understanding of the allegations from discussions with officials,
12 and members of the DC Public Charter School Board.
- 13 b) Interviewed various Options Public Charter School ("OPCS" or "Options")
14 employees, including Dr. Charles Vincent, Executive Director of OPCS and Ms.
15 Tanya Williams, Director of Human Resources of OPCS.
- 16 c) Conducted an interview, with her counsel present, of Ms. Andrea Shorter, CPA, an
17 outside accounting professional who performed numerous bookkeeping and budgeting
18 services for OPCS, including preparing apparent compilations of OPCS's Financial
19 Statements that were presented to the PCSB.
- 20 d) Performed detailed forensic accounting analyses of available financial statements and
21 records, including OPCS payments made, transactions recorded, and liabilities
22 incurred, among others.
- 23 e) Read and analyzed numerous documents and supporting materials for financial
24 transactions.

25 10. Based on the interviews my team and I have conducted to date, the results of our financial
26 forensic analyses performed to date, the results of our reading and analysis of available
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1 records and financial data and subject to the limitations mentioned in paragraph 12 below,

2 I have observed the following:

- 3 a) There are numerous transactions that occurred between related parties and OPCS
4 that raise serious concerns with self dealing.
- 5 b) There has been commingling of both business activities and funds between OPCS
6 and two for-profit entities owned and controlled by former OPCS Management,
7 who now work for those entities, ostensibly providing services to OPCS.
- 8 c) There are financial transactions that should have been more fully and more timely
9 disclosed to the PCSB than they were.
- 10 d) There are large, unusual financial transactions with little or no accounting support
11 or rationale between OPCS and related party entities controlled by former OPCS
12 management or the management company now run by that former management.
- 13 e) There are a number of transactions that do not appear, according to the Board
14 Minutes and OPCS financial information we have analyzed, to have been
15 adequately vetted.
- 16 f) There are unusual patterns and unexplained changes in students' disability
17 categorizations.

18 We have requested, on several occasions, to speak with certain former OPCS / current
19 external management company personnel, namely Dr. Donna Montgomery, Dr. David
20 Cranford, Mr. Paul Dalton, and Mr. Steven Hook regarding these transactions. Those
21 requests have gone largely unanswered.

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26 11. Among the unusual, unexplained, and unsupported transactions that my team and I
27 identified are those described, in more detail below:
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1 **a) “Loan” from OPCS to EES**

- 2 i. For some apparently undocumented reason, in the 2011-2012 school year,
3 OPCS provided a loan of about \$159,000 to an entity owned by OPCS’s own
4 leader.
- 5 ii. We identified a Loan Agreement, dated April 17, 2012 between EES and
6 OPCS. (See Exhibit 1) That agreement states that EES agreed to repay OPCS
7 the amount of “\$159,000 with interest from July 1, 2012, on the unpaid
8 principal at a rate of 4% per annum.” The loan agreement further states that
9 “the unpaid principal and accrued interest shall be payable in monthly
10 installments of \$4,694.31, beginning on July 1, 2012.”
- 11 iii. The loan agreement was apparently signed by Dr. Montgomery on behalf of
12 EES and by OPCS Board Chair Dr. Hayward on behalf of OPCS. The loan
13 agreement does not, however, provide any information regarding the nature or
14 purpose of the loan.
- 15 iv. The OPCS Board of Trustees meeting minutes we have analyzed to date do not
16 include any reference to the loan by OPCS to EES.
- 17 v. The general ledger of OPCS shows three transactions that, on a net basis,
18 appear to account for the initial loan balance. However, two of those
19 transactions are recorded as occurring before the loan agreement was signed.
20 (See Exhibit 2) Thus, it appears that a significant part of this purported loan
21 was paid to EES prior to there being a loan agreement in place.
- 22 vi. The arrangements for interest on this loan I found to be favorable to the
23 borrower, as compared to OPCS’s own borrowing in SY2011-2012. According
24 to the SY2011-2012 audited financial statements, OPCS had borrowed funds
25 to the SY2011-2012 audited financial statements, OPCS had borrowed funds
26 to the SY2011-2012 audited financial statements, OPCS had borrowed funds
27 to the SY2011-2012 audited financial statements, OPCS had borrowed funds
28 to the SY2011-2012 audited financial statements, OPCS had borrowed funds

1 during that period at interest rates of 6%, 4.42%, and 4%. (See Exhibit 3)
2 OPCS is, of course, eligible for certain types of financing (e.g., municipal bond
3 borrowings) that typically carry interest rates and terms more favorable than
4 those available to commercial entities or individuals.

5
6 vii. The Financial Statements submitted to the PCSB for the period ended
7 September 30, 2012 only included the EES loan balance in the “Other Current
8 Assets” line of the Balance Sheet. The details of the composition of the “Other
9 Current Assets” line item were “hidden” in the Excel file actually sent to the
10 PCSB. The loan balance “hidden” was \$159,000. (See Exhibit 4) The
11 information provided to the PCSB appears to have been inaccurate in as much
12 as EES did not make a payment on the loan until October 15, 2012.

13
14 viii. In her interview with me, Ms. Shorter stated that she did not believe the “loan”
15 from OPCS to EES to be related to a physical transfer of cash from OPCS to
16 EES that tracked to the date of the loan agreement. Ms. Shorter stated that she
17 believed, rather, that the loan amount related to prior transactions between (i)
18 OPCS, (ii) another charter school she knew only as “NIA”, and (iii) EES. Ms.
19 Shorter stated that she believed that EES had agreed to perform services for
20 NIA, but that OPCS had actually performed these services for NIA, although
21 she could not recall the specific nature of those services. Ms. Shorter stated
22 that funds paid by NIA for those services had not been transferred to an OPCS
23 bank account, but had instead been transferred to a bank account whose
24 beneficial owner was EES, yet the balance was included by OPCS’s prior
25 accountant in the cash balances in the financial statements of OPCS. She
26 could offer no explanation as to why these funds were in a physical bank
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1 account of EES. Ms. Shorter also stated that she understood the \$159,000
2 loan agreement documented the funds owed by EES to OPCS as a result of
3 those transactions. Ms. Shorter stated that she did not know when the loan
4 agreement had been created or executed.

5
6 ix. Ms. Shorter also stated that, having provided accounting services to EES, she
7 knew EES to be owned by only Dr. Montgomery since its incorporation.¹

8
9 **b) Medicaid billing contract with EES**

10 i. We identified a one-page contract for Medicaid billing services, dated April
11 17, 2012, between OPCS and EES. (See Exhibit 5) This document indicates
12 that it was signed by Dr. Montgomery on behalf of EES and by Mr. Lloyd
13 Anderson, former Chair of the Board of Trustees of OPCS, in his then-current
14 role as Interim Chair of the Board of OPCS during the absence of Dr.
15 Hayward. The contract states, in part, “For billing Medicaid and managing the
16 billing program, including registration of Options as a provider, if necessary,
17 EES will be paid Twenty-five Percent (25%) of all amounts received from
18 Medicaid per approved TCN (Transmission Control Number).”

19
20 ii. Payments made by OPCS to EES for Medicaid billing services total roughly
21 \$449,000 during a period in which, as far as my team and I could determine,
22 the majority of the work performed under this effort was performed by OPCS
23 own employees, indeed, the very same individuals (Messrs. Hook and Dalton)
24 who continued to perform OPCS’s Medicaid billings after the payments to
25 EES ended (i.e., through June 30, 2013). (See Exhibit 6)

26
27 iii. My team and I found, from accounting data at OPCS, that OPCS made

28 ¹ Ms. Shorter stated that the same was true for EEMC, which is discussed below.

1 additional payments totaling roughly \$113,000 to EES, for which we could
2 locate no adequate supporting documentation and for which we have yet to
3 identify any business purpose.

4 iv. The minutes of the March 22, 2012 meeting of the Board of Trustees of OPCS
5 reference that Mr. Steven Hook (as an OPCS employee) was assigned to
6 OPCS's Office of the Provost and would be responsible for Medicaid billing.
7 Those meeting minutes also discuss additional revenues obtained by OPCS as
8 a result of the then new ability of charter schools to bill Medicaid for certain
9 services provided to students. The minutes reflect that Mr. Dalton, former
10 General Counsel and Provost of OPCS, stated²: "Through Exceptional
11 Education Services (EES), we hope to become the Medicaid biller for other
12 schools and get additional income for Options." (See Exhibit 7)

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15 v. Minutes from an Executive Session³ of the March 22, 2012 Board meeting
16 state: "The question of the ownership of EES and its relationship to Options
17 was discussed. In light of the Contract with NIA, the decision was made to
18 cede 25% of all revenue from EES to Options. This arrangement is to be done
19 by contract between the two entities. Also, it was discussed whether to have
20 two interlocking boards or two separate boards entirely. This decision is to
21 await a legal opinion by Mr. Dalton." (See Exhibit 8) My team and I have not
22 found any such formal legal opinion or any substantive consideration of this
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25 ² Dr. Vincent stated that he had typically been responsible for keeping the minutes of the
26 meetings of the Board of Trustees and that he had been able to capture statements made during
27 the meetings, typically in their entirety, due to his ability to type quickly.

28 ³ Dr. Vincent stated that he did not take part in Executive Sessions himself, but that he
was informed after the meetings of the topics discussed and any decisions made, in summary
fashion, and that he had also been responsible for the documentation of these Executive Sessions
though he did not attend them.

1 related party transaction.

2 vi. My team and I requested, but were not provided with, the contract referencing
3 the requirement that EES cede 25% of revenues to OPCS. Even more
4 importantly, we could find no mention of any receipt of funds by OPCS from
5 EES in the available OPCS books, which should have recorded such a payment
6 had it occurred.
7

8 **c) Transportation contract with EES**

- 9
- 10 i. Transportation services appear to have begun being provided to a limited
11 number of OPCS students in the 2011-2012 School Year when OPCS
12 contracted directly with Deadwyler Transportation for bus transportation
13 services. OPCS appears to have paid Deadwyler Transportation approximately
14 \$70,000 for transportation services in that school year. (See Exhibit 9)
- 15 ii. We identified a subsequent contract between EES and OPCS for transportation
16 services, dated September 14, 2012. (See Exhibit 10) That contract states that
17 “the total contract price to Options for the SY 2012-2013 would be a gross
18 amount of \$450,000.00 with the right to charge an additional \$100,000 if daily
19 average ridership exceeds 150 students upon Options approval. The net cost to
20 the school will not exceed \$250,000, as balanced against monies received from
21 Medicaid Billing for transportation services provided” [sic]. The contract
22 appears to have been signed by Dr. Montgomery on behalf of EES and by Dr.
23 J.C. Hayward, the Chair of the Board of Trustees of OPCS, on behalf of
24 OPCS. However, none of the minutes of the meetings of OPCS’s Board of
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1 Trustees refer to any discussion of the transportation services provided by
2 EES.

3 iii. On May 17, 2013, Dr. J.C. Hayward, on behalf of OPCS, signed a
4 “Supplemental Transportation Agreement,” also signed by Dr. Montgomery on
5 behalf of EES, that states, in part, that “the anticipated ridership during the
6 initial contract term was 300% higher than the parties originally
7 contemplated,” that “this had a large upward effect on the amount of the
8 Medicaid Reimbursement received by Options,” and that “[g]iven the current
9 large number of students being bused, Options PCS agrees that the annual SY
10 payments to EES, Inc. shall be increased to \$750,000 as a base rate.” [sic] (See
11 Exhibit 11).

12
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14 iv. Our Forensic Accounting Analysis has identified a large (more than ten-fold)
15 increase in disbursements made by OPCS for transportation services from
16 SY2011-2012 to SY 2012-2013 that appears to have coincided with the change
17 from OPCS contracting directly with its transportation services provider in
18 SY2011-2012, to OPCS contracting for transportation services in SY2012-2013
19 through EES, a company owned and operated by Dr. Montgomery, which then
20 contracted to obtain these services from the very same transportation services
21 provider (Deadwyler Transportation) used by OPCS during the preceding
22 school year.

23
24 v. We also identified an undated document headed “Transportation cost estimate
25 – EES/ Options” (See Exhibit 12). That document appears to indicate that
26 Deadwyler Transportation had provided an estimate of \$300,000 for
27 transporting 72 students and that EES had provided an estimate of \$450,000
28

1 for 150 students. The document further indicates that EES had actually
2 provided transportation services for 320 students, that EES had already been
3 paid \$550,000, and that EES had sought and been paid an additional \$421,250
4 on June 13, 2013.

- 5
- 6 vi. We identified payments by OPCS to EES for transportation services totaling
7 \$981,250 between September 2012 and June 2013 (See Exhibit 13).
- 8 vii. From our interviews of Dr. Charles Vincent, current Executive Director of
9 OPCS, and Ms. Tanya Williams, current Director of Human Resources of
10 OPCS, it appears that despite the significant increase in cost to OPCS, Options
11 PCS itself has actually employed the “aides” who worked on the buses that
12 transported OPCS students when OPCS contracted with EES, but that
13 Deadwyler Transportation had provided the aides when OPCS had contracted
14 directly with Deadwyler Transportation.
- 15
- 16 viii. Antonio Jenkins of Deadwyler Transportation confirmed that Deadwyler
17 Transportation had provided bus transportation services for OPCS students
18 both in the 2011-2012 and in the 2012-2013 School Years.

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20 **d) December 2012 Revised Budget**

- 21 i. A revised SY2012-2013 budget dated December 10, 2012 included large
22 increases to forecasted revenues that were purportedly driven by an enrolment
23 increase of 53 students and changes to Special Education Students’
24 classifications. Those changes (along with others affecting funding from the
25 District of Columbia Public Schools) resulted in the budgeting of an additional,
26 roughly \$2.8 million of revenue compared to the prior school year.
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- 1 ii. The number of students and their corresponding Special Education Student
2 Classifications (“SpEd Classifications”) are generally the largest revenue
3 drivers for a school like OPCS.
- 4
5 iii. Our analysis of OPCS’s financial records indicates that each General
6 Education student educated at OPCS in SY2012-2013 drove D.C.
7 Government-provided, per-pupil funding of approximately \$11,745 to \$13,177,
8 depending upon the student’s grade level and whether or not the student
9 attended summer school.
- 10 iv. The records also indicate that each Special Education Student educated at
11 OPCS in that school year drove DC Government-provided, per-pupil funding
12 of approximately \$21,925 to \$47,419, depending upon the student’s grade
13 level, SpEd Classification, and whether the student attended summer school.
- 14
15 v. An OPCS FY 2013-2014 budget, dated August 18, 2013 in the file name and
16 June 11, 2013 in the file itself, included increases of 5% for most DC
17 Government-provided per-pupil funding line items. However, that budget
18 included a 17% decrease in per-pupil funding tied to SpEd Level 1 students
19 and an 18% increase in per-pupil funding tied to SpEd Level 2 students (See
20 Exhibit 14).
- 21
22 vi. Due to certain privacy considerations,⁴ we have not analyzed the records on
23 individual OPCS students prepared by medical professionals to date. We also
24 made best efforts to minimize our collection and analysis of information that
25 identifies specific students.
- 26 vii. A revised OPCS SY2012-2013 budget, dated December 10, 2012 in the file
27

28 ⁴ Including HIPAA and FERPA relevant considerations.

1 name and December 14, 2012 in the file itself, included large projected
2 changes to revenues based upon large changes in OPCS's Special Education
3 Students' classifications (See Exhibit 15). Those changes included:

- 4 a) 39% (11 students) decrease in SpEd Level 2 per-pupil funding
- 5 b) 46% (16 students) decrease in SpEd Level 3 per-pupil funding
- 6 c) 42% (68 students) increase in SpEd Level 4 per-pupil funding

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8 viii. Such large changes were neither typical of prior experience nor associated with
9 an overall surge in student population (i.e., the overall population of students
10 was expected to increase by only 15%, whereas the expected increase in Level
11 4 students was 42%).

12
13 ix. Those changes (and others affecting funding from the District of Columbia
14 Public Schools) resulted in an increase in budgeted revenue from the District
15 of Columbia Public Schools of roughly \$2.8 million compared to the prior
16 school year.

17
18 **e) Management Agreement with EEMC**

- 19 i. EEMC is another entity that appears to be owned solely by Dr. Montgomery.
20 From our analysis, it appears that Dr. Montgomery incorporated this entity in
21 late 2012. EEMC responded to a Management Services RFP apparently issued
22 by OPCS. EEMC's proposal to provide "Management Services" to OPCS,
23 named Drs. Montgomery and Cranford as well as Mr. Dalton, as "Key
24 Personnel." As far as we can currently determine, EEMC won a sole source
25 award, and then entered into a contract with OPCS on February 25, 2013.
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- 1 ii. Documentation provided to us by OPCS personnel indicates that, on January 4,
2 2013, a classified advertisement referencing a Request for Proposals (“RFP”)
3 for Management Services by OPCS was run in the Washington Post.⁵ A draft
4 of that advertisement stated that the full RFP could be obtained from, and that
5 bids could be submitted to, a Lloyd Eisenburg of Columbia, MD. (See Exhibit
6 16) Our online research indicates that Lloyd Eisenburg is a personal injury
7 attorney with no relation to OPCS.⁶ (See Exhibit 17) Though other notices of
8 RFP issued by OPCS appear to have been published in the DC Register, we
9 have searched for but have not found any notice of the Management Services
10 RFP in the D.C. Register. (See Exhibit 18)
- 11 iii. The full text of the RFP, as provided by Dr. Vincent, is four pages long and
12 states that proposals should be submitted electronically to
13 OptionsRFPsubs@Optionsschool.org. The RFP also states that questions may
14 be directed to Dr. Hayward as the “Board Chairman” [sic]. (See Exhibit 19)
- 15 iv. The proposal response issued by EEMC and dated January 15, 2013 outlines
16 EEMC’s bid to provide “School Management and Medicaid Billing” to OPCS.
17 That proposal was signed by Dr. Montgomery in her role as President/CEO of
18 EEMC and listed her OPCS-issued mobile phone as her contact number. The
19 address listed for EEMC in the proposal is 601 13th Street, Suite 950. (See
20 Exhibit 20)

26 ⁵ Though we have found the payment to the Washington Post and a draft of the classified
27 advertisement, we have not yet found an actual advertisement in the Post.

28 ⁶ <http://ljeassoc.com/Services.html>

- 1 v. EEMC’s proposal lists Drs. Montgomery, Cranford, and Vincent, as well as
2 Mr. Dalton and Ms. Andrea Shorter⁷ as comprising EEMC’s Management
3 Team, despite the fact that Dr. Vincent and Ms. Shorter have never been
4 employed by EEMC.
- 5
- 6 vi. The “Pricing” section of EEMC’s proposal states that “the fee structure for
7 EEMC’s full-spectrum of management services will be formatted as a fixed fee
8 equal to 18% of Option PCS’s total revenues received per annum. These fees
9 are all-inclusive. EEMC will never seek reimbursement for travel, materials,
10 or other additional costs related to completing work affiliated with this RFP
11 solicitation.”
- 12
- 13 vii. The minutes of the February 25, 2013 Meeting of the Board of Trustees of
14 OPCS state that there had been review and approval of the EEMC proposal.
15 The minutes do not mention any other proposals. They record that Mr. Lloyd
16 Anderson had called for the poll vote on the EEMC proposal and that the
17 proposal was approved unanimously. (See Exhibit 21)
- 18
- 19 viii. On February 25, 2013, OPCS and EEMC entered into a contract that appears to
20 have been signed by Dr. Montgomery on behalf of EEMC and by Dr. Hayward
21 on behalf of OPCS.
- 22
- 23 ix. Article 8 of the contract, “Financial Arrangements”, states, in part: “EEMC
24 Shall receive a Management Fee based on a fee for services schedule which is
25 detailed in Exhibit B to this agreement. This schedule, unless amended by
26 mutual agreement of the parties, will remain in force for the duration of this
27 contract and any subsequent renewals. As of the date of execution of this

28 ⁷ Ms. Shorter is with ACS Business & Accounting Solutions LLC, the firm that provided services directly to OPCS through June 30, 2013

1 Agreement, EEMC shall be entitled to a prepayment of Five Hundred
2 Thousand Dollars (\$500,000) towards its fees for services provided during the
3 2013-2014 School Year. Subsequent payments equal to twenty five percent
4 (25%) of the total fees due EEMS for SY 2013-2013 shall be paid October 15,
5 2013, January 15, 2014, March 15, 2014 & June 15, 2014. From the last
6 payment the amount due EEMC shall be the amount paid for the last quarterly
7 payment minus the prepayment amount of \$500,000.” [sic]
8

9 x. OPCS check number 6059, in the amount of \$500,000, dated February 28,
10 2013, was made payable to EEMC. That check was signed by Drs. Cranford
11 and Montgomery. (See Exhibit 22) Ms. Shorter stated that the only supporting
12 documentation for this payment was the contract between EEMC and OPCS
13 dated February 25, 2013.
14

15 xi. The OPCS Financial Statements submitted to PCSB for the period ended
16 March 31, 2013 reported this same \$500,000 payment to EES in the “Other
17 Current Assets” line item of the Balance Sheet. The details of the composition
18 of the “Other Current Assets” line item were “hidden” in the Excel file actually
19 sent to PCSB. The “unhidden” description of the \$500,000 was “Deposits.”
20 (See Exhibit 23)
21

22 xii. It appears that on July 15, 2013, the words “minus the prepayment amount of
23 \$500,000” were stricken from the contract. (See Exhibit 24) There is no
24 discussion of this \$500,000 contractual change, initialed by the Board Chair
25 Dr. Hayward and by Dr. Montgomery, in the minutes of the meetings of the
26 Board of Trustees or any other support or explanation for the \$500,000 change,
27 which appears to have resulted in a windfall for EEMC.
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- 1 xiii. EEMC issued an invoice, number 2, to OPCS on July 15, 2013 in the amount
2 of \$954,099. That invoice’s description reads: “First Quarter Management
3 Fees 07/15/2013 – 10/15/2013 (18 percent of \$5,300,549.07)”. (See Exhibit
4 25)
- 5 xiv. OPCS check number 1165, dated August 1, 2013, was made payable to EEMC
6 and was apparently signed by Dr. Simon Earle (SY2013-2014 Assistant
7 Principal of OPCS) and Dr. Hayward. Bank records indicate the check cleared
8 OPCS’s bank account on August 5, 2013. (See Exhibit 26)
- 9 xv. We noted that the August 2013 payment to EEMC was made 2 ½ months
10 before a payment was due, according to the contract between EEMC and
11 OPCS and was not calculated according to the contractual language, which
12 required that payment to EEMC be based upon actual revenue received by
13 OPCS (not budgeted revenue).
- 14 xvi. The payment to EEMC in the amount of \$954,099 was recorded in OPCS’s
15 General Ledger in account number 1220000, “Prepaid Expenses.”
- 16 xvii. To date, EEMC has been paid \$1,454,099 by OPCS. OPCS does not, however,
17 appear to have received any documentation of any services actually rendered
18 by EEMC or its personnel, i.e., no “deliverables” have yet been documented.
- 19 xviii. Moreover, any deliverables that OPCS has requested from EEMC do not yet
20 appear to have been provided. Drs. Vincent and Earle stated that they had not
21 seen EEMC personnel on site at OPCS more than once per week during the
22 first few weeks of the 2013-2014 school year. Dr. Vincent stated that, only
23 after the beginning of the week of September 9, 2013, did EEMC personnel
24 begin presenting themselves at OPCS in a “rudimentary” fashion, demanding
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1 long meetings with key OPCS personnel despite objections of those personnel
2 that such long meetings would interfere with the time they needed to spend
3 with schoolchildren.

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5 xix. Dr. Vincent also informed us that he had deep concerns regarding the
6 transportation services currently being rendered by EEMC, apparently through
7 its related company, EES, since July 2013. He stated that he had received
8 reports regarding the timeliness and safety of bus transportation services
9 provided by EEMC and that he had sent a letter to Dr. Montgomery to that
10 effect. (See Exhibit 27)

11
12 xx. Dr. Vincent stated that he had been off work, on sick leave from November
13 2012 through February 2013 and that he was surprised to hear of the EEMC
14 matters when he returned to OPCS in March 2013. He stated that Dr.
15 Montgomery had asked him if he would be interested in being the Chief
16 Administrative Officer of EEMC and that he had declined her offer. Dr.
17 Vincent stated that he had declined the offer because he did not believe his
18 skills would be as useful to other charter schools as were those of Drs.
19 Montgomery and Cranford and Messrs. Dalton and Hook, because he believed
20 at least one senior OPCS leader would need to stay at OPCS if others were
21 leaving, and because he did not believe his health insurance would be portable
22 given the health issues he had recently encountered.

23
24 xxi. Dr. Vincent also stated that he did not believe that a “Management Company”
25 could run a charter school as effectively or efficiently as could a dedicated on-
26 site management team. Dr. Vincent stated that he believed that the best charter
27 school leaders are those who are present at the school on a daily basis and who
28

1 experience, up-close, the day-to-day challenges and successes of the
2 institution.

3 xxii. In one discussion with us regarding the move of OPCS personnel to EEMC
4 and the outsourcing of the “Management Function” by OPCS to EEMC, Dr.
5 Vincent stated that he “did not think they would get away with it” and that he
6 had thought “they would be smarter because after all, this is Washington”.

8 **f) 601 13th Street, NW Office Space**

- 9
- 10 i. The Minutes of the November 1, 2012 Meeting of the Board of Trustees of
11 OPCS state that Dr. Montgomery had asked to “explore relocating the Legal
12 Education Agency (LEA) offices as to create more room for Related Services
13 due to the increased number of students.” The minutes reflect that Mr.
14 Anderson moved to explore relocation of the LEA and that Dr. Hayward
15 seconded the motion. (See Exhibit 28)
- 16
- 17 ii. Notably, Dr. Vincent had been ill at the time of that meeting and the minutes
18 reflect that he did not participate in the meeting. On September 3, 2013, Dr.
19 Vincent requested and received a copy of the November 1, 2012 Board
20 Meeting Minutes from EEMC personnel. The file properties of that document
21 indicate that it was last modified 6 minutes prior to being sent to Dr. Vincent.
22 (See Exhibit 29) We have not yet analyzed the nature and extent of the
23 modifications.
- 24
- 25 iii. The Minutes of the January 6, 2013 Meeting of the Board of Trustees of OPCS
26 state that Dr. Montgomery had discussed plans to relocate the administrative
27 offices of the LEA, that Dr. Hayward had made a motion to approve the LEA
28

1 moving to another location and that Dr. Anderson had seconded the motion.
2 Those minutes also stated: “Dr. Hayward approved \$30,000 to pay for moving
3 related expenses.” (See Exhibit 30)

4
5 iv. A sublease agreement dated January 28, 2013 between The Fritts Group, LLC
6 (a government affairs and public relations consulting firm) and OPCS
7 subleased to OPCS a 4,389 square foot office space located at 601 13th Street,
8 NW Suite 450N. The contract states that the term of the sublease was to
9 commence on March 15, 2013. Dr. Montgomery’s signature on the document
10 is dated January 18, 2013 (i.e., before the date of the contract), whereas the
11 landlord’s signature is dated February 15, 2013. (See Exhibit 31)

12
13 v. That contract required that a \$54,000 security deposit be paid by OPCS to The
14 Fritts Group and also called for a \$20,000 payment to be made by OPCS to
15 The Fritts Group in consideration of The Fritts Group conveying title to certain
16 “FF&E” (likely furniture, fixtures, and equipment). These required payments
17 appear to have been made by OPCS. (See Exhibit 32) The security deposit
18 payment was recorded in OPCS’s general ledger on February 21, 2013 in
19 account number 2110000, “Security Deposit.” The payment relating to
20 “FF&E” was also recorded in OPCS’s general ledger on February 21, 2013,
21 but in account number 6120200, “Office Supplies / Material,” an operating
22 expense account. The recording of the FF&E as an expense appears to
23 contradict what Ms. Shorter and OPCS personnel told us was the policy of
24 OPCS, which was to capitalize purchases of furniture and equipment with
25 acquisition values in excess of \$500.

26
27 vi. OPCS also made payments to The Fritts Group and to 601 13th Street ALP for
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1 rent and related items (including 4 parking spaces at \$320/month and DirecTV
2 for 5 televisions at a cost of approximately \$46/month) for the period March
3 2013 through August 2013 totaling \$148,530. (See Exhibit 33) Those
4 payments were made between February 2013 and July 2013, and the
5 transactions were all recorded in OPCS's general ledger in operating expense
6 accounts, primarily account number 5200315, "Rent / Lease", including rent
7 for July and August 2013. The July 2013 rent was first recorded in OPCS's
8 general ledger on June 21, 2013 as a prepaid expense and was reclassified into
9 the "Rent / Lease" expense account on July 1, 2013.

11 vii. Ms. Shorter initially declined our request that she provide general ledger data
12 for the period beginning July 1, 2013. Data later provided by Ms. Shorter
13 shows that entries were made as of July 1, 2013⁸ to record receivables owed to
14 OPCS by EEMC in the amount of \$54,000 for the security deposit and \$19,048
15 for the Furniture and Fixtures. As of today, we have seen no indication that
16 EEMC has paid these reimbursements to OPCS.

18 viii. Dr. Vincent stated that, while assigning responsibility for collecting items
19 responsive to a subpoena issued by the District of Columbia's Office of the
20 Inspector General, he had been informed by Ms. Bunn, OPCS' Human
21 Resources Coordinator, that OPCS had received invoices for furniture that was
22 being used at 601 13th Street. Dr. Vincent stated that he inquired of Ms.
23 Miller, OPCS's Facilities Manager, and was informed that upon delivery of
24 certain furniture ordered from National Business Furniture in 2013, she had
25 been instructed to store the furniture until such as time as the furniture could be
26

27 ⁸ Data provided by Ms. Shorter included only the date "as of" which entries were posted,
28 not the date such entries were made in Quickbooks.

1 transported to 601 13th Street, NW. Ms. Miller stated that she had been
2 informed that such furniture was never intended to be used at OPCS.

3 ix. Dr. Vincent provided us with supporting documentation for purchases from
4 “National Business Furniture” totaling \$13,020 for furniture, including leather
5 chairs, a loveseat, and a coffee table that he stated had been taken to 601 13th
6 Street, NW. (See Exhibit 34) Those invoices were recorded in OPCS’s
7 general ledger in account number 6120200, “Office Supplies / Material”, an
8 operating expense account. Two transactions with Nittany Business Movers
9 totaling \$5,965 were also identified in OPCS’s general ledger account number
10 5100790, “Other General Expense”. The invoices from Nittany Business
11 Movers supporting those transactions described the services provided as
12 moving services rendered in relation to “1375 E Street NE”, “700 13th
13 Street”⁹, “Main Campus”, and “Metro Center”¹⁰. (See Exhibit 35)

14 x. Mr. Dalton also appears to have sought and obtained reimbursement from
15 OPCS for expenses he had ostensibly paid out-of-pocket in relation to a phone
16 system for the office space located at 601 13th Street, NW, Suite 450. OPCS
17 check number 6165, made payable to Paul Dalton and dated March 27, 2013,
18 is supported by an invoice from “National Design Group Business
19 Communications Solutions” for the installation of a phone system at 601 13th
20 Street, NW, Suite 450, in the amount of \$1,300. Dr. Montgomery appears to
21 have approved this expenditure. (See Exhibit 36) This transaction was
22 recorded in OPCS’s general ledger in account number 6120232, “Telephone /

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24
25
26 _____
27 ⁹ An address less than one block from 601 13th Street, NW.

28 ¹⁰ “One Metro Center” is a building located on the street corner opposite the 601 13th
Street NW property and “Metro Center” is a subway station very near 601 13th Street, NW.

1 Telecommunications”, an operating expense account.

2
3 **g) Bonuses to Dr. Montgomery, Dr. Cranford and Mr. Dalton**

- 4 i. The earliest documentation located by us thus far regarding an OPCS bonus
5 plan titled the Reward and Recognition Compensation Plan (“RRCP”), is a
6 March 9, 2012 letter from Dr. Montgomery to Dr. Hayward. That letter states
7 that Dr. Montgomery was requesting permission from the Board to pay four
8 specific employees a bonus equal to one year’s pay when those four employees
9 reached their ten-year anniversaries. The letter lists those employees and their
10 corresponding dates of hire as follows:

<u>Name</u>	<u>Date of Hire</u>
Dr. Charles Vincent	July 1, 2004
Dr. David Cranford	September 1, 2004
Dr. Donna Montgomery	August 18, 2003
Mrs. Tanya Williams	December 10, 2002

- 17
18 ii. The letter also states: “If for some reason the employee does not reach his or
19 her tenth anniversary the compensation would not be provided.” (See Exhibit
20 37)
- 21 iii. Dr. Vincent stated that he believed that the Board of OPCS had agreed to the
22 plan proposed by Dr. Montgomery, but on a modified basis that provided for
23 bonuses equal to only one-half of one year’s salary. We have not found any
24 mention of the RRCP award in the Minutes of the Meetings of the Board of
25 Trustees of OPCS analyzed.
- 26
27 iv. On March 1, 2013, Dr. Montgomery was paid \$120,200 as a “bonus” through
28

1 payroll, in addition to her regular gross annual (July 1, 2012 - June 30, 2013)
2 salary of \$240,400. (See Exhibit 38) Two letters found in Dr. Montgomery's
3 personnel file reference her RRCP award. The first letter, dated August 8,
4 2012, appears to have been signed by Dr. Hayward and states, in part: "This
5 letter is to inform you that upon the completion of your tenth school-year, June
6 15, 2013, the reward and recognition compensation plan will vest and you will
7 be eligible for one-half year's salary. Payment will be made in one lump sum,
8 on the 15th day of the last month of the school year." (See Exhibit 39) The
9 second letter, dated February 25, 2013, appears to have been issued "from" Dr.
10 Hayward but to have been signed by Mr. Anderson, then the interim Chair of
11 Option's Board of Trustees. That letter states, in part, that its purpose had been
12 "to inform you that in your tenth school year, 2012/2013, the reward and
13 recognition compensation plan will vest and you will be eligible for one half
14 year's salary, which is equal to \$120,200. Payment will be made in one lump
15 sum, on March 1, 2013." (See Exhibit 40) Thus, Dr. Montgomery received
16 this large ten-year anniversary payment despite having less than ten full years
17 of service.

- 18
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21 v. On July 10, 2013, Dr. Cranford was paid \$83,546 through payroll. (See
22 Exhibit 41) A June 3, 2013 letter from Dr. Montgomery to Dr. Cranford was
23 located in Dr. Cranford's personnel file. That letter states, in part, "Originally,
24 it was agreed that you would receive a 'recognition compensation' equal to
25 one-half year's pay after completing your tenth school-year. Since you have
26 performed satisfactory and will be continuing in a management capacity with
27 Options, I have agreed to pro-rate your award to 90% of one-half year's pay
28

1 for your nine years of solid commitment.” (See Exhibit 42) Again, this
2 decision is inconsistent with earlier Board discussions of a “cliff vesting”, i.e.,
3 a strict 10-year requirement.

4 vi. The bonus payments to Drs. Montgomery and Cranford appear to have been
5 paid despite their not actually having reached their 10 years of service
6 anniversaries with OPCS and despite their resignations from OPCS before they
7 satisfied the eligibility requirements to obtain those bonuses.

8 vii. Ms. Williams informed us that Dr. Montgomery had informed her that Dr.
9 Cranford had been asking Dr. Montgomery about his RRCP award for some
10 period of time prior to its payment and that Dr. Montgomery had the decision
11 to approve payment of the bonus on a pro-rated basis because OPCS had
12 sufficient funds to pay the bonus. Ms. Williams stated that she had concerns
13 about Dr. Cranford’s bonus being paid before he qualified for the bonus and
14 that she had raised those concerns with Dr. Montgomery. Ms. Williams stated
15 that Dr. Montgomery said that she had the authority to approve the bonus. Ms.
16 Williams further stated that she did not believe she had any other avenues by
17 which to voice her concerns regarding the payment of Dr. Cranford’s RRCP
18 award early because she believed the Board of Trustees of OPCS was “backing
19 up the executives”.

20 viii. Ms. Williams stated that the first time that she had heard of the RRCP was in
21 early 2012, when Dr. Montgomery said she had spoken to Dr. Hayward about
22 the proposal.

23 ix. Dr. Charles Vincent (current Executive Director of OPCS) stated that the first
24 time he recalls hearing about the RRCP was “a few years ago.”
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- 1 x. Ms. Williams and Dr. Vincent stated that Dr. Vincent had not been offered his
2 RRCP award, even though he had joined OPCS prior to Dr. Cranford. Ms.
3 Williams stated that she believed Dr. Vincent was not offered the award
4 because it was expected that he would continue his employment with OPCS.
- 5 xi. Ms. Shorter provided an Excel version of an OPCS SY2012-2013 budget
6 revised December 10, 2012, as well as a PDF file of an OPCS SY2012-2013
7 budget represented to have been submitted to the PCSB. Two line item entries
8 in the Excel file contain the descriptions “RRCP” and “Retirement Plan” but
9 are in the amounts of \$95,000 and \$2,000, respectively. (See Exhibit 15) The
10 file represented as having been submitted to the PCSB contained an entry
11 named “Retirement Plan” in the total amount of \$97,000. (See Exhibit 43)
- 12 xii. It does not, therefore, appear that the RRCP awards paid to Drs. Montgomery
13 and Cranford were provided for, in their entirety,¹¹ if at all, in OPCS’s own
14 budgets.
- 15 xiii. No accruals for any liabilities associated with the RRCP were identified in any
16 earlier financial statements of OPCS.
- 17 xiv. On September 5, 2013, Ms. Shorter of ACS Business & Accounting Solutions
18 LLC (the former external bookkeeping firm retained by OPCS) stated that the
19 RRCP was “actually approved this fiscal year.” She also stated that she had
20 not recorded any accrual for the program and that she had sought advice from
21 the auditors of OPCS. Ms. Shorter stated that she had made entries to
22 recognize the previously paid RRCP awards only when those transactions were
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24
25

26 ¹¹ Ms. Tanya Williams, Director of Human Resources, was paid an RRCP award in the
27 amount of \$48,925 on December 7, 2012. According to the March 9, 2012 letter from Dr.
28 Montgomery to Dr. Hayward regarding the RRCP, Ms. Williams’s date of hire was December 10,
2002.

1 actually paid.

2 xv. Additional, atypical bonuses were also paid, in December 2012 to Dr.
3 Montgomery - \$40,000, Dr. Cranford - \$30,000, and Mr. Paul Dalton (OPCS
4 General Counsel & Provost) - \$30,000. (See Exhibit 44)

5
6 xvi. The Minutes of the November 1, 2012 Meeting of the Board of Trustees of
7 OPCS state that Dr. Montgomery had moved to grant “Christmas bonuses” to
8 about 10 employees. No listing of the specific personnel or employees to
9 receive these bonuses was included in those minutes. As noted above, Dr.
10 Vincent had been ill at the time of that meeting and the minutes reflect that he
11 did not participate in the meeting. Also, as noted above, he did receive a copy
12 of the November 1, 2012 Board Meeting Minutes until September 3, 2013, and
13 the file properties of that document indicate that it was last modified 6 minutes
14 prior to being sent to Dr. Vincent.

15
16 xvii. Additional bonuses were paid in March 2013 to Mr. Steven Hook (Data Coach
17 / Medicaid Biller) - \$10,000 (See Exhibit 45) and in May 2013¹² to Dr.
18 Montgomery - \$25,000, Dr. Cranford - \$20,000, Mr. Paul Dalton (OPCS
19 General Counsel & Provost) - \$20,000, and Mr. Steven Hook (Data Coach /
20 Medicaid Biller) - \$10,000 (See Exhibit 46)

21
22 xviii. The aforementioned SY2012-2013 budgets provided by Ms. Shorter¹³ each
23 contain a line item in the amount of \$30,000 for “Bonuses”. Therefore, it does
24 not appear that the paid bonuses were budgeted for in their entirety, if at all.

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27 ¹² These payments were described in payroll records as “Stipends”.

28 ¹³ See “Reward and Recognition Compensation Plan”.

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12. These conclusions are, by necessity, preliminary, as our work has been subject to a number of limitations to date. These limitations include:

- a) We were not retained to and did not perform any capture or analysis of the email or hard drives of any of the various parties in this matter, which would typically be a step included were we retained to perform a full blown investigation.
- b) We requested but have still not received numerous important financial documents relevant to our work, e.g., the various bank statements for bank accounts reflected in the financial statements of OPCS.
- c) We requested to interview, with their counsel present if they so choose, a number of former OPCS employees who now work at EEMC, including Dr. Montgomery, Dr. Cranford, Mr. Dalton and Mr. Hook. Counsel for these individuals and EEMC indicated that these personnel would not meet with us for the forensic accounting interviews.
- d) In addition, our work remains ongoing. Thus additional analyses and findings, after the date of this declaration, may change or revise the preliminary conclusions.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September, 30 2013



Frederic R. Miller, MBA, CPA, CFE, CFF