



CAMERON A. RUNYAN

*Superintendent*

1201 Main Street, Suite 300, Columbia, SC 29201

20 August 2021

Oceanside Collegiate Academy  
Dr. Marvin Arnsdorff, Chairman of the Board of Directors  
Ms. Christina Brown, Interim Principal  
580 Faison Road  
Mount Pleasant, SC 29466

RE: Interim Corrective Action Plan

To School Leader and Board Members,

The Charter Institute at Erskine (“Charter Institute”) is the charter school sponsor of your school, Oceanside Collegiate Academy (the “School”). In accordance with the South Carolina Charter Schools Act of 1996 as amended and located at S.C. Code Ann. § 59-40-10 *et seq.* (the “Act”), the sponsor of a charter school is the charter school’s local education agency (“LEA”) and a charter school is a school within that LEA. As the sponsor, the Charter Institute’s mission is to authorize high-quality charter schools that elevate educational opportunities through innovation and creativity.

To fulfill its mission and comply with the Act, the Charter Institute has the responsibility for monitoring the performance and legal and fiscal compliance of the schools authorized by the Charter Institute; conducting oversight activities; notifying a school of perceived problems if its performance or legal compliance appears to be unsatisfactory; and taking appropriate corrective actions or exercising sanctions short of revocation in response to identified deficiencies. (S.C. Code Ann. § 59-40-55(A)).

The Act requires the Charter Institute to place a high priority and hold accountable charter schools for materially complying with the applicable laws, rules, regulations, and provisions of its Charter and Contract. The Act, as well as OCA’s Charter and Contract, requires the OCA Board to manage the contractual relationship with its EMO, Pinnacle. However, OCA’s August 16th response letter confirms the management company improperly managed the OCA Board of Directors rather than the OCA Board of Directors managing the contract. OCA stated multiple times in its August 16<sup>th</sup> response that: “OCA Board has been informed by Pinnacle...” or the “OCA Board has recently learned . . . .” (OCA Letter 8.16.21, pp. 8-9.) These repeated statements demonstrate the unquestioned reliance the OCA Board improperly and dangerously has granted its management company. OCA’s response confirms that its Board did not have knowledge prior to the Institute’s inquiry of important noncompliance by the School caused by the EMO related to procurement, employer of record, and lobbying activities.

Specifically, OCA confirmed (or did not bother to deny) the OCA Board’s lack of knowledge about at least the following noncompliance with its Charter, Contract and/or the Charter Act which was caused by Pinnacle:

- Pinnacle improperly charged OCA approximately \$27,000 for lobbying charges incurred by Pinnacle.

- Pinnacle transferred ten (10) OCA employees to Gray Collegiate Academy, LP (“GCALP”), a third-party for-profit company, for the purpose of meeting GCALP’s employment requirements necessary for four Chinese investors to obtain their U.S. green card visas.<sup>1</sup> (See Pinnacle’s Statement on Employer of Record, attached as **Appendix 1**.)
- Further, despite the Board’s claim that it had no knowledge of Gray Collegiate Academy, LP and the transfer of OCA staff for the benefit of Pinnacle and their Chinese investors, the Board allowed OCA to transfer funds directly to GCALP to cover payroll for said staff on a monthly basis.
- Pinnacle executed contracts on behalf of OCA to contract with Pinnacle-affiliated companies to provide services OCA already was paying for as part of the management fee to Pinnacle.

The OCA Board’s failure to identify these issues, at minimum, without sponsor assistance evidences a lack of oversight and improper delegation of duties by the OCA Board to the EMO. In addition, OCA has not corrected this noncompliance and has not taken steps to ensure future noncompliance of the same sort will not occur in the future.

Based on the Institute’s investigation and the School Board’s response, the Institute hereby issues the Interim Corrective Action Plan (“CAP”), enclosed with this letter as **Appendix 2**, to address the admitted and indisputable areas of noncompliance. The Institute will issue a Final Corrective Action Plan upon completion of review of the documents submitted by the School related to other areas of concern.

To ensure the CAP is implemented and results in the necessary correction and improvement in the identified areas, the Charter Institute will continue to monitor and evaluate corrective activities according to the timelines which will be set in the CAP, which may include unannounced site visits to the School. The corrective actions do not constitute a final decision of the Institute. If the School disagrees with one or more of the Corrective Actions, it may request a hearing before the Institute Board within ten (10) days of receipt of this correspondence. The request for a hearing must be in writing and include (1) the specific Corrective Action being challenged and (2) the legal and factual basis for the challenge. Failure to request a hearing shall be considered agreement with the Corrective Actions and/or waiver of the right to challenge the Corrective Actions. If a hearing is requested, the Institute Board may decide to affirm, rescind or modify the Corrective Action. Failure by the School to comply with the Corrective Action may result in further adverse action by the Institute, including but not limited to sanctions or revocation of the charter.

By issuing these Corrective Actions, the Institute expressly reserves and refuses to waive the right to issue future Corrective Actions or take other adverse action regarding any other matter related to the School’s operations as a charter school either known by the Institute, that should be known by the Institute, or that may become known by the Institute in the future.

In an effort to further support the school, the Charter Institute is available at any time to answer questions around these legal requirements or talk through school plans for resolution to the outstanding areas of concern. We look forward to supporting the decisions you make and plans you develop to address these identified deficiencies.

Thank you in advance for your cooperation in this matter. Should you have any questions, please do not hesitate to contact me.

Sincerely,



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<sup>1</sup> Pinnacle states that it informed the School principal Ms. Corley about the transfer of employees, but not the OCA Board. OCA’s principal was employed by Pinnacle. Pinnacle informing its employee of the employment structure does not equate to informing the School Board.

**APPENDIX 1**

**PINNACLE'S STATEMENT ON EMPLOYER OF RECORD**

## **Oceanside Collegiate Academy**

### **Explanation of Payroll Payments out of Gray LP**

Gray Collegiate Academy LP was formed on January 30, 2014 for the purpose of securing capital to advance funding to the developer and owner of Gray Collegiate Academy's new school facility. In order to access the EB-5 Immigrant Investor Program funding, the Partnership was required to employ all teachers and staff associated with School operations. The Partnership received \$2.0 million in capital advanced from four foreign partners during the fiscal year ended June 30, 2014. The partnership was required to maintain an employment level of 40 full time staff at the end of a predetermined term. At that time, the foreign investors would receive their green cards from U.S. Immigration and the mission of the LP would be fulfilled.

The goal of Gray Collegiate Academy at the onset was to purchase the land and buildings from the developer and become the owner of the property. The lease with the developer contained an option to purchase the property. The purchase price of the property was set in the lease and the escalated significantly over time.

Recognizing that it was in the best interest of Gray Collegiate Academy to purchase the property as soon as it was possible (to minimize the purchase price), the Gray Board approved a plan in 2018 to obtain bond financing to purchase the property.

In order to receive the consent of the partners in Gray Collegiate LP to the purchase transaction, Gray LP was required to be at minimum employment of 40 full time staff (thus allowing the foreign partners to obtain their green cards from the US government).

However, Gray LP was short of that level by approximately 10 employees. We were advised by the "special partner" in Gray LP that we could include staff from sister schools in the total if they were paid out of Gray LP.

We discussed paying 10 teachers from Oceanside out of Gray LP with Brenda Corley, Oceanside Principal. She understood the reasons and was in agreement with the proposal. Ten teachers were selected and Brenda explained to each of the teachers that their pay was being processed from a separate entity but nothing else changed with their pay or status. They continued to be Pinnacle employees that were being paid out of another entity.

We were given the approval to pay these employees out of the LP starting in January 2019.

As a matter of procedural change, the payment of ten Oceanside staff out of Gray LP required funds to be wired to Gray LP each pay period to cover wages, benefits, taxes and withholding associated with each payroll. There were no changes to the compensation payments or to the payroll costs for Oceanside.

This procedural change was also discussed with Elliott Davis prior to the January 2019 effective date of the change.

Elliott Davis has no issues with the change as long as Oceanside was paying the cost of the payroll associated with the personnel that were paid out of the LP.

The activity was subject to audit for two fiscal year end audits performed by Elliott Davis (FY 2019 and 2020) and no issues or adjustments resulted from these payroll procedures.

The Gray Collegiate Academy Principal and Board are aware of this arrangement as well.

Pinnacle did not benefit in any way with this payroll change. In fact, it creates more work for Mike Miller since he has to review and create wire transfers each pay period to fund the Oceanside employee payroll paid through Gray LP.

**Schedule 4: Employer of Record****Wire Fees**

<b>Date</b>	<b>Reference #</b>	<b>Amount</b>
1/15/2019	01-2019 2	\$ 17.50
1/31/2019	01-2019 4	\$ 17.50
2/15/2019	02-2019 2	\$ 17.50
2/28/2019	02-2019 4	\$ 17.50
3/15/2019	03-2019 1	\$ 77.50
3/31/2019	03-2019 4	\$ 32.50
4/15/2019	04-2019 2	\$ 32.50
4/30/2019	04-2019 3	\$ 32.50
5/15/2019	05-2019 2	\$ 32.50
5/31/2019	05-2019 4	\$ 32.50
6/14/2019	06-2019 2	\$ 32.50
6/30/2019	06-2019 2	\$ 32.50
7/15/2019	07-2019 2	\$ 32.50
7/31/2019	07-2019 4	\$ 32.50
8/15/2019	08-2019 2	\$ 47.50
8/30/2019	08-2019 4	\$ 32.50
9/13/2019	09-2019 2	\$ 32.50
9/30/2019	09-2019 4	\$ 32.50
10/15/2019	10-2019 2	\$ 32.50
10/31/2019	10-2019 4	\$ 32.50
11/15/2019	11-2019 2	\$ 32.50
11/30/2019	11-2019 4	\$ 32.50
12/13/2019	12-2019 1	\$ 32.50
12/31/2019	12-2019 4	\$ 32.50
1/15/2020	01-2020 1	\$ 32.50
1/31/2020	01-2020 3	\$ 32.50
2/14/2020	02-2020 2	\$ 32.50
2/28/2020	02-2020 3	\$ 32.50
3/13/2020	03-2020 2	\$ 32.50
3/31/2020	03-2020 4	\$ 32.50
4/15/2020	04-2020 2	\$ 32.50
4/30/2020	04-2020 4	\$ 32.50
5/15/2020	05-2020 2	\$ 32.50
5/29/2020	05-2020 4	\$ 32.50
6/15/2020	06-2020 2	\$ 32.50
6/25/2020	06-2020 4	\$ 32.50
<b>Total</b>		<b>\$ 1,170.00</b>

**APPENDIX 2**

**INTERIM CORRECTIVE ACTION PLAN  
AUGUST 20, 2021**

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**AUGUST 20, 2021**

1. Governance

- a. Until further notice, the OCA Board must provide notice to the Institute of any board meeting at the same time as OCA Board members receive it.
- b. In addition to in person meetings, the OCA Board must provide virtual video access for the public to attend and participate in all OCA Board meetings (i.e. Zoom, Microsoft Teams, etc.).
- c. The virtual video OCA Board meetings shall be recorded and a copy of the video recording shall be provided to the Institute within 48 hours of the OCA Board meeting. The OCA Board must keep meeting minutes consistent with best practices and not based solely on statutory minimums.
- d. OCA must pay for a third-party consultant acceptable to the Institute to provide OCA board training with an emphasis on local charter school board oversight of for-profit management companies. The board training contract must include access for the school board to communicate confidentially with the board trainers in follow up with the training regarding implementation of the board training recommendations. All board training must be held during a public and properly noticed board meeting that is recorded and made available to members of the public.
- e. The OCA Board must attend an Institute-hosted virtual training regarding board governance.

2. Financial Controls: Procurement

- a. Within 60 days, the OCA Board will submit a certification to the Institute that all contracts complied with the School-approved Institute finance, procurement and conflict of interest policies. For any contracts where OCA failed to follow the Institute policies (such as the contracts with Pinnacle-affiliated businesses, the lobbying contract with Southern Strategies Group, or other contracts where Pinnacle's CEO executed the contracts on behalf of the School), the OCA Board is required to remedy the non-compliance and certify compliance with the Institute policies within 60 days.
- b. Within 60 days, OCA must provide proof that the real property upon which the school is sited is owned by OCA and the public record address for OCA for the real property has been corrected.
- c. Within 60 days, OCA shall retain an Institute-approved third party auditing firm to audit its financial and procurement activities to ensure proper financial controls are established and utilized. The scope of the audit must be approved by the Institute.

3. Financial Controls: Employer of Record

- a. Within 60 days, OCA must immediately cease employing any faculty or staff through Gray Collegiate Academy, LP and must employ all employees in accordance with the School Charter.
- b. From now until the completion of any investigation, audit or other inquiry, OCA must cooperate with U.S. Immigration and Customs Enforcement, Department of Revenue, State Inspector General, State Law Enforcement Division, South Carolina Department of Education, or any other public agency in any request for information needed to clear up compliance questions, including but not limited to payment of taxes or the EB-5 program.



4. Transparency

- a. Within 10 days, OCA must provide permission for the Institute to speak with its auditor, with OCA representatives present, to discuss completing its overdue annual audit and any other matters related to the Institute's investigation.
- b. Within 10 days, OCA must post all correspondence and documents selected by the Institute in a prominent location on its website which is accessible by the public. OCA may include any correspondence or documentation which it feels is relevant and wishes to present.
- c. By noon on Monday, August 23, 2021, OCA must post this Interim Corrective Action Plan in a conspicuous location on its website.