



# EL CAMINO REAL CHARTER HIGH SCHOOL

*A California Distinguished School*

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SCOTT SILVERSTEIN  
*Board Chair*

DAVID HUSSEY  
*Executive Director*

November 7, 2019

VIA E-MAIL (LILLIAN.L.LEE@LAUSD.NET) AND U.S. MAIL

Lillian Lee, Fiscal Oversight Administrator  
Charter Schools Division  
Los Angeles Unified School District  
333 S. Beaudry Ave., 20<sup>th</sup> Floor  
Los Angeles, CA 90017

**Re: Notice of Concern Regarding ECRCHS's Payments to Certain Vendors and Potential Violation of Nepotism Policy**

Dear Ms. Lee:

This shall constitute the written response of El Camino Real Alliance ("ECRA"), which operates El Camino Real Charter High School ("ECRCHS" or the "Charter School"), to the Charter School Division's ("CSD") Notice of Concern dated October 10, 2019 regarding ECRCHS's payments to certain vendors and potential violation of nepotism policy.

**OVERVIEW**

ECRA understands the concerns regarding its use of certain vendors, and the potential violation of ECRA's nepotism policy. However, please be advised that all of the issues raised in the Notice of Concern was previously investigated, reviewed, and dealt with thoroughly, and appropriate actions were taken as warranted. Specifically:

First, as to the India-based vendors CRM Maestro and Biztech IT Consultancy Private Limited ("Biztech"), ECRA's staff has thoroughly investigated the issues raised in the Notice of Concern, and took appropriate actions based on the results of that investigation. It was determined that, as to invoices prior to 2018, there were instances where purchase orders were not created prior to work being started; however, the work was always done at the request of ECRA's Chief Information Officer ("CIO"), who monitored and oversaw the work being done to ensure that it was done to ECRA's specifications and met ECRA's specific needs. Moreover, the issue of statements of work ("SOW") and purchase orders not being created prior to work being commenced was specifically addressed by ECRA staff; in fact, this very issue was brought up and reviewed by the Board's Finance Committee, and based on information provided it was recommended that payment on certain unpaid invoices be made. This was all done with the Chief Business Officer's ("CBO") knowledge and involvement.

*The mission of ECRCHS is to prepare our diverse student body for the next phase of their educational, professional, and personal journey through a rigorous, customized academic program that inspires the development of students' unique talents and skills, builds character, and provides opportunities for civic engagement and real-world experiences.*



Second, as to the relationship between ECRA’s Chief Information Officer (“CIO”) and certain vendors used (namely, Covian and Novantia), this matter was thoroughly investigated by ECRA’s Executive Director and Chief Compliance Officer (“CCO”), and the matter reviewed with the CBO and the Board during closed session. Based on the investigation, it was determined that the Board in place at the time the relationship was entered into (i.e., in the 2011-2012 school year) and prior administration *knew* of the relationship between the CIO and his father’s company, as this was disclosed prior to the start of any relationship<sup>1</sup>. After the investigation was completed, appropriate actions were taken to ensure that any issues regarding the purchase order/invoicing process would no longer occur. Moreover, this matter was discussed with the Board at length during a Board Meeting<sup>2</sup>.

Third, as to the potential violation of ECRA’s nepotism policy, this matter was also investigated and appropriate action was taken to ensure that there was no issue with nepotism. Specifically, ECRA identified that the classified member in question is *not* under the direct supervision of the Assistant Principal, but is rather directly supervised by another certificated member. Moreover, any scheduling and overtime issues that the classified member may have goes through ECRA’s Human Resources Manager, and not through the Assistant Principal. This matter was a personnel one, and did not involve the Board as it related to a daily operational issue.

Finally, it should be noted that ECRA has a procedure in place if a staff member believes that there has been a breach in any policy, such as a breach of the Fiscal Policies and Procedures (“FPP”). Typically, a staff member would first address this issue with the Executive Director; then, if the staff member believed appropriate action was not taken, the staff member would contact a Board member for further investigation/response. An Internal Complaint Form is part of ECRA’s Employee Handbook, and could be utilized to make a claim regarding failure to follow any written policy or procedure. Please be advised that an Internal Complaint Form was never received by the Executive Director or the Board regarding any of the concerns raised in this matter.

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<sup>1</sup> The ECRA Board members in office in 2011 were: Shukla Sarkar (Chair), Karen Jones (Secretary), Jeff Falgien, Jackie Keene, Larry Rubin, Donna Slamon, and Patricia Valentine. The current Board members for 2019-2020 are Scott Silverstein (Chair), Darin Ryburn (Vice Chair), Beatriz Chen (Secretary), Brian Archibald, Gregory Basile, Dr. Jeff Davis, Steven Kofahl, and Kenneth Lee. As such, there is no individual who served on ECRA’s Board in 2011 who is still on ECRA’s Board today.

<sup>2</sup> Due to employee privacy issues, all matters regarding public employee discipline / dismissal / release was discussed during closed session, the substance of which cannot be discussed in this response due to privacy concerns.



## **RESPONSES TO REQUESTED ACTIONS**

### **REQUEST NO. 1:**

*The ECRA's governing board's analyses and/or discussions that have been performed or conducted by ECRA's governing board with its school leaders, including, but not limited to ECRCH's Chief Business Officer, its Executive Director, its Chief Compliance Officer, and its Chief Information Officer regarding the three matters detailed above.*

### **RESPONSE TO REQUEST NO. 1:**

CRM Maestro and Biztech: as to the payments made to the two foreign entities, CRM Maestro and Biztech, the Board was made aware of these two specific entities when the matter was presented to the Board's Finance Committee during a Finance Committee Meeting on April 24, 2019. (See the Minutes from said April 24, 2019 Finance Committee Meeting, which are part of the responsive documents produced<sup>3</sup>.) Specifically, during this April 24, 2019 meeting, the CBO advised the Finance Committee that he had concerns about paying certain invoices from CRM Maestro and Biztech, because fiscal policies had not been followed. The Executive Director advised the Board that issues with the fiscal policies not being followed had been addressed, but that there was evidence that the work was done, including work logs provided by the vendors for the work identified. Based on this, the Finance Committee recommended that the invoices be paid.

Moreover, all work done by CRM Maestro and Biztech involve development of certain software products as specifically requested by ECRA. This included development of a student resource management ("SRM") system, which was included as part of ECRA's Local Control Accountability Plan ("LCAP") from 2016 going forward. (See relevant pages of ECRA's LCAP for 2016-19 and 2017-2020, which are part of the responsive documents produced concurrently with this Response letter.) As such, the Board had knowledge of the development of the SRM system, as the Board has reviewed and voted on the LCAP since this 2016-17 time period.

Covian and Novantia: regarding the school's use of these two vendors, both of which were owned by the father of the CIO, the Board was apprised of this issue in March of 2018. Specifically, a thorough investigation into the nature of the relationship between the vendors and the CIO was conducted by the CCO. The results of that investigation, including supporting documentation and information, was discussed with the Board during closed session at a Special Board Meeting on March 15, 2018. (A copy of the Minutes from the March 15, 2018 Special Board Meeting is attached to the responsive documents produced.)

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<sup>3</sup> All documents produced in response to the Notice of Concern will be shared by Dropbox, with each folder numbered according to the corresponding Request item.



Potential Violation of Nepotism Policy: preliminarily, it is the Board's understanding that issues related to nepotism and staffing are not governance-related; as such, the Board was not involved in any discussions regarding this matter. The results of the investigation conducted by ECRA's leadership will be discussed below.

#### **REQUEST NO. 2:**

*In relation to question # 1 above, please explain what the ECRA governing board's view is and its approach to addressing each of the concerns raised by ECRCH's Chief Business Officer and ECRCH's former Accounting and Finance Manager. Further, provide details clarifying whether any of these issues/concerns have been resolved as of the date of this Notice (e.g., how and when). Please number and name your responses and/or documents to be provided to the CSD in correspondence with the concerns enumerated above [i.e., A(f)(i through v), B(g)(i through iii), B(b)i., and C(a).].*

#### **RESPONSE TO REQUEST NO. 2:**

**Response to A(f)**: *The ECRCH CBO's concerns regarding the payments to CRM Maestro and Biztech (as referenced in his various email communications) include, but are not limited to:*

(i) *Services and expenses were not pre-approved*: the Board was not made aware that services provided by these entities were not pre-approved, until the Board-appointed Finance Committee met on April 24, 2019. At this April 24, 2019 Finance Committee Meeting, the Committee was apprised that there was an issue with outstanding invoices for work done by these vendors during the prior school year. The Committee was advised that ECRA staff had undertaken reasonable steps to ensure that the failure to comply with the purchase process was followed, and based thereon recommended that the outstanding invoices should be paid. (*See minutes from the April 24, 2019 Finance Committee Meeting, attached as part of the responsive documents produced.*)

Moreover, it is overbroad to say that these expenses were not pre-approved; this is not akin to or similar to ECRA being billed for work that it did not request or did not confirm was done. Rather, all work done that is the subject of invoices was done at the specific request of ECRA, for specified projects/tasks. ECRA has substantive materials provided by the vendors, in the form of computer programs and updates to existing programs, that identify that the work requested was completed.

However, to the extent that an approved purchase order ("PO") was not in place prior to the work being done, please note that ECRA has specifically counseled the CIO



to ensure that all future work has a pre-approved PO in place before the work is done. This includes clear instructions that no further work is to be done by either CRM Maestro or Biztech unless and until a SOW and PO are completed and approved. As to the SOW, please note that this is not currently, nor has it ever been, a written requirement. In fact, adding a written SOW policy will be considered at ECRA's next Board meeting. Nonetheless, the CIO has been instructed to obtain a SOW before any more work is done by CRM Maestro or Biztech, or any other vendor as warranted.

(ii) *Purchase Orders (POs) or PO numbers were not generated [prior to payment requests by ECRCH's CIO]:* this issue is directly related to and is identified in the response to A(f)(i) above. To reiterate, all work done without a PO was done at the specific request of ECRA staff, and progress/confirmation of the work done was confirmed before any payments were made. Moreover, the CIO has been advised that no further work can be done by CRM Maestro or Biztech, unless and until a SOW and PO are submitted and approved.

(iii) *Multiple violations were caused by ECRCH's CIO and are ongoing [e.g., the ECRCH CIO's alleged non-compliance with the school's fiscal policies and procedures regarding the procurement of services and pre-approvals, lack of providing adequate supporting documentation, and a viable Scope of Work (SOW) (including detailed descriptions of the purpose, scope, expected duration, and cost for the projects and/or services) performed or to be performed by these two foreign entities; and the lack of the IRS Form W-9 (or foreign equivalent) prior to the issuance of payments to either of these two entities]:* as identified above, the CIO has been counseled and instructed on following the proper fiscal policies and procedures regarding any further use of CRM Maestro and Biztech. This was done in January of 2019. Moreover, the CIO has been apprised that any future work to be done by these entities will be done through a properly approved SOW and PO in advance of any work being done or billed. In fact, a SOW and PO was recently approved for Biztech for work on the online enrollment system.

Moreover, as discussed above, it must be noted that requiring a pre-approved SOW before work is done has never been a written requirement for ECRA. As such, it is inaccurate to say that the failure to have a SOW in advance of work being done was a violation of ECRA policy, particularly for work being done as far back as 2015. Notwithstanding, going forward the written requirement of a SOW in advance of work being done has been implemented and will be complied with by all ECRA staff.

(iv) *ECRCH's Executive Director approved payments for the invoices to CRM Maestro and Biztech even after the concerns above were brought both to the ECRCH Executive Director's attention and the ECRA Finance Committee's attention by ECRCH's CBO:* as identified above, this was not an instance in which the work was not done, though ECRA understands and acknowledges that ECRA's FPP was not complied with as to some of the invoices. When a staff member is found to not have followed



procedures, it is ECRA's policy to determine if the subject of the billing was done, whether it be materials provided or services rendered. If there is reasonable confirmation that the work was done, ECRA's policy has been to pay the invoice, and then counsel the employee on proper procedures and policies. When the issue with CRM Maestro and Biztech was initially raised by the CBO, it was reasonably confirmed that the work specified in the invoices was performed; this was confirmed through the submission of work logs and other documentation identifying the work done. (A copy of work logs representative of the details given by CRM Maestro and Biztech are attached as part of the responsive documents produced.)

Moreover, as discussed above, this same issue was specifically raised at the meeting of ECRA's Board's Finance Committee of April 24, 2019. During this meeting, the CBO's concerns regarding CRM Maestro and Biztech was raised, ECRA's policies regarding payment of such invoices and counseling the employee was discussed, and the Finance Committee recommended that the invoices be paid. (*See* minutes of April 24, 2019 Finance Committee Meeting.) As such, this matter has been thoroughly reviewed by ECRA. And, as discussed at length above, ECRA has undertaken reasonable steps to ensure that such issues with CRM Maestro and Biztech do not occur again.

(v) *While ECRCH's CCO's February 14, 2018 email to ECRCH's CBO stated that the agreements [with these two foreign entities] "appear to be standard agreements," ECRCH's CCO stated that he did not recall ever having seen these agreements before. ECRCH's CCO also stated in this email: "But let's be real, if there was ever a violation, it would be a nightmare pursuing a company in India for any breach. And suing them here in California would have little to no effect."* – the Board recognizes that it may be necessary at times to enter into contractual agreements with companies that are foreign or smaller in size, in order to obtain a more competitive or reasonable price. The Board has been advised that having computer programmers do the specific work needed for the projects that they were asked to do, would cost significantly higher if a US-based company were used. As such, the Board is satisfied that ECRA staff exercised reasonable business judgment in agreeing to go forward with CRM Maestro and Biztech.

Moreover, it should be recognized that, at the time these contracts were entered into, ECRA had an existing relationship with CRM Maestro and Biztech that went back to at least 2015. As such, ECRA has been satisfied with the quality and nature of work performed by CRM Maestro and Biztech, notwithstanding the concerns raised by the former Accounting and Finance Manager. In fact, ECRA was very recently visited by another charter school, which reviewed the SRM system designed by CRM Maestro. This visiting school was so impressed with the SRM system that they have asked to help pay for the continuing development of the system, in exchange for which they would be able to use the system once it is developed.

**Response to A(g):** *ECRCH's former Accounting and Finance Manager's concerns regarding the payments to CRM Maestro and Biztech (as referenced in her July 13, 2019 email communication to the school's ED, COO, and CBO) include, but are not limited to:*



- (i) “[T]here was no reason to wait on submission of this PO even if there were delays in payment. It would be helpful to be more communicative in the future rather than waiting to the last minute.” – There does not appear to be a real question or issue here, just a complaint that a PO was submitted and asked to be approved quickly, given that there was a need to have some programming work done just before the start of school. At least part of the discussion / delay arose because, at this time there were outstanding invoices that were a year old that had been unpaid, which made it difficult to determine if another PO, if processed, would have been paid. However, the PO was eventually submitted and approved.
- (ii) “[T]he SOW and contract are very vague and not detailed and there is no way for anyone to assess the deliverables and we are left to trust that this is done, yet again.” – The SOW was created by the CIO, the individual most familiar with the exact work needed by CRM Maestro and Biztech, based on the technical specifications and the needs of the school. The contract was reviewed by the CCO, a licensed attorney who was satisfied with the terms of the contract (even if it was standard/simple in nature). As such, the Board is satisfied that staff used reasonable business judgment in determining that the PO should be approved based on the SOW and contract provided.
- (iii) “These are consulting services and they have been assigned to the Technology budget. I would suggest that there needs to be a true and unbiased review of what the direction of the school as a whole should be when it comes to these types of software development and I leave that in your hands.” - The programming needed that was the subject of the SOW, contract and PO were all based on the specific needs of ECRCHS. There was no off-the-shelf product that the school was aware of that would meet its needs, and so the decision was made to have the outside programmers create the exact product needed. Again, this was based on the reasonable business judgment of the CIO, who is the individual with the appropriate training and knowledge needed to make this type of determination.

From a broader perspective, it should also be noted that the quality of work done by CRM Maestro, at least in terms of the SRM system being developed, was so impressive that another charter school that reviewed the SRM system has asked to be involved in completing the development. ECRA welcomes CSD to also come and review the system.

Finally, it should be noted that the development of an SRM system has been part of ECRA’s LCAP, since at least the 2016-2017 school year. (See relevant portions of ECRA’s LCAP, attached as part of the responsive documents produced.)

**Response to B(a):** *Based on the CSD’s review of the Excel files with payment transaction (provided by ECRCH’s CBO to the CSD on August 19, 2019), spanning from*



*Fiscal Years 2012-2013 through 2017-2018, ECRCH made approximately \$301,430 in payments to Novian, and Covantia, LLC. The transaction descriptions referenced in the accounting included software development and Integration Gateway, business technology, non-instructional consultants, computer/equipment, etc. Based on these Excel files, the \$301,430 in payments consisted of \$85,672 in payments to Novian and \$215,758 in payments to Covantia, LLC for Fiscal Years from 2012-2013 through 2017-2018, with the last payments made to Novian and Covantia, LLC on October 20, 2014, and September 15, 2017, respectively.*

In order to understand the nature of the relationship between ECRA and Novian and Covantia, it is important to understand the timeframe in which this relationship began. When ECRA first went charter in 2011, it had no credit history, no sourcing for goods and materials, and no relationships with vendors that would allow ECRA to purchase basic supplies such as books and computers. As such, upon becoming a charter school, ECRA had to find support from stakeholders in order to meet its basic needs. To that end, the CIO's father, named Fernando Delgado, Sr. ("Delgado, Sr."), who owned a procurement company (Novian) at the time, offered to assist ECRA in obtaining goods and materials. In fact, one of ECRA's Assistant Principals ("AP") affirmed that Delgado, Sr. came to one of ECRA's very early Board meetings, along with other potential vendors; further, this AP affirmed that it was disclosed at the time that Delgado, Sr. was the CIO's father. Attached to the document production are minutes from the Board meeting of August 11, 2011, which mentions that Novian provided training to ECRA's department chairs on a website portal known as IMA.

Later, ECRA decided that it needed to develop certain software that would help with school operations. This included creating a customized Enterprise Resource Planning ("ERP") program in order to integrate the school's operational functions. Delgado, Sr. was requested to assist in the customization of the ERP program; to that end, his company Covantia, LLC retained computer programmers to develop the custom-made software, and initially did not charge ECRA anything for the costs associated with hiring these programmers. Later, ECRA agreed to pay the overhead costs associated with having these programmers work on behalf of ECRA – this is the genesis of the costs associated with these two entities. As more programming work was needed, not only on on-going customization of ERP but also in creating an attendance/tardy system, Covantia, LLC was used as needed.

ECRA staff thoroughly investigated the issues surrounding having business entities owned by a family member of the CIO, including interviewing multiple witnesses including former staff members. The results of the investigation were shared with the Board during closed session, since the matter involved possible Public Employee Discipline / Dismissal / Release; this closed session took place during a Special Board Meeting which occurred on March 15, 2018. Based on the results of this investigation, the Board is satisfied that ECRA



has undertaken all necessary actions needed in order to deal with any potential conflicts, and to ensure that this type of event does not happen again.

**Response to B(b):** *The ECRCH CBO's concerns regarding the payments to Novian and Covantia, LLC (as referenced in his email communication to the CSD on August 19, 2019) include, but are not limited to: i. These two entities (Novian and Covantia, LLC), were companies owned by ECRCH's CIO and/or a family member of ECRCH's CIO, which could constitute a conflict of interest for the school.*

As discussed above, this issue was thoroughly investigated and the results of the investigation shared during closed session at the March 15, 2018 Special Board Meeting. While there is no dispute that the two entities, Novian and Covantia, LLC, are owned by the CIO's father, the Board has taken into consideration that this was disclosed at the time the relationship was entered into, in approximately 2011. While there may be a potential conflict in using a business owned by a family member as a vendor<sup>4</sup>, ECRA has undertaken appropriate actions in response to this issue and has ceased using Novian since the 2014-2015 school year and Covantia since August 2017.

**Response to C:** *The ECRCH CBO expressed his concern in various email communications to ECRCH's CCO regarding the potential violation of the school's nepotism policy involving an ECRCH Assistant Principal and an Office Assistant II of the school (who may be related to each other). The Office Assistant reports directly to this Assistant Principal, and their relationship was not disclosed during the hiring process of the Office Assistant.*

It should be noted that this is an operational/staffing matter, in which the Board would normally not involve itself. However, the Board has been advised that this matter was investigated and appropriate actions taken regarding the failure to disclose the nature of the relationship between the Assistant Principal and the Office Assistant at the time the Office Assistant was hired. Moreover, the Board has been advised that the Assistant Principal, while overall is in charge of the program, is not the direct supervisor of the Office Assistant; rather, the Office Assistant reports directly to a certificated staff member who oversees the Office Assistant's work and who is responsible for the Office Assistant's evaluation. Also, the work schedule and any requests for overtime by the Office Assistant is overseen by the HR Manager.

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<sup>4</sup> It should be noted that Form 700 – Statements of Economic Interest, Schedule A-2 specifically does not include disclosure of business relationships with a parent. Specifically, the instructions to Schedule A-2 requires the disclosure of interest in a business entity in which “you, your spouse or registered domestic partner, and your dependent children, together or separately, had a 10% or greater interest.” It should also be noted that there has been no evidence or information to indicate that the CIO had *any* ownership interest, or benefitted financially from, Novian or Covantia, LLC.



Based thereon, ECRA's Board is satisfied that appropriate steps were taken to ensure that the nepotism policy is adhered to, and that any potential conflict of interest between the Assistant Principal and the Office Assistant is minimized.

### **REQUEST NO. 3:**

*If ECRA's governing board has not discussed or investigated the issues above, nor conducted analyses (utilizing the internal or external resources or expertise) to determine the potential impact of these issues to the school prior to the date of this Notice, please provide the CSD with details as to how and when ECRA's governing board will specifically address these matters. These details should include documentation reflecting the governing board's discussions, deliberations, and rationale for the actions taken, timelines for correcting each of the issues above, and copies of all documents relating to same. Please number and name your responses and/or documents to be provided to the CSD in correspondence with the concerns enumerated above [i.e., A(f)(i through iv), B(g)(i through iii), B(b)i., and C(a).].*

### **RESPONSE TO REQUEST NO. 3:**

**Response to A(f):** *The ECRCH CBO's concerns regarding the payments to CRM Maestro and Biztech (as referenced in his various email communications) include, but are not limited to:*

- (i) *Services and expenses were not pre-approved:* the Board was not made aware that services provided by these entities were not pre-approved, until the Board-appointed Finance Committee met on April 24, 2019. At this April 24, 2019 Finance Committee Meeting, the Committee was apprised that there was an issue with outstanding invoices for work done by these vendors during the prior school year. The Committee was advised that ECRA staff had undertaken reasonable steps to ensure that the failure to comply with the purchase process was followed, and based thereon recommended that the outstanding invoices should be paid.

Moreover, it is overbroad to say that these expenses were not pre-approved; this is not akin to or similar to ECRA being billed for work that it did not request or did not confirm was done. Rather, all work done that is the subject of invoices was done at the specific request of ECRA, for specified projects/tasks. ECRA has substantive materials provided by the vendors, in the form of computer programs, that identify that the work requested was completed.

However, to the extent that an approved PO was not in place prior to the work being done, please note that ECRA has specifically counseled the CIO to ensure that all future work has a pre-approved PO in place before the work is done. This includes clear



written instructions that no further work is to be done by either CRM Maestro or Biztech unless and until a SOW and PO are completed and approved. As to the SOW, please note that this is not currently, nor has it ever been, a written requirement. In fact, adding a written SOW policy will be considered at ECRA's next Board meeting. Nonetheless, the CIO has been instructed to obtain a SOW before any more work is done by CRM Maestro or Biztech, or any other vendor as warranted. In fact, a SOW and PO for Biztech was approved by the CBO, in July of 2019, which evidences compliance with the purchasing process.

(ii) *Purchase Orders (POs) or PO numbers were not generated [prior to payment requests by ECRCH's CIO]:* this issue is directly related to and is identified in the response to A(f)(i) above. To reiterate, all work done without a PO was done at the specific request of ECRA staff, and progress/confirmation of the work done was confirmed before any payments were made. Moreover, the CIO has been advised that no further work can be done by CRM Maestro or Biztech, unless and until a SOW and PO are submitted and approved. In fact, a SOW for Biztech was approved by the CBO, in July of 2019, which evidences compliance with the purchasing process.

(iii) *Multiple violations were caused by ECRCH's CIO and are ongoing [e.g., the ECRCH CIO's alleged non-compliance with the school's fiscal policies and procedures regarding the procurement of services and pre-approvals, lack of providing adequate supporting documentation, and a viable Scope of Work (SOW) (including detailed descriptions of the purpose, scope, expected duration, and cost for the projects and/or services) performed or to be performed by these two foreign entities; and the lack of the IRS Form W-9 (or foreign equivalent) prior to the issuance of payments to either of these two entities]:* as identified above, the CIO has been counseled and instructed on following the proper fiscal policies and procedures regarding any further use of CRM Maestro and Biztech. This was done in January of 2019. Moreover, the CIO has been apprised that any future work to be done by these entities will be done through a properly approved SOW and PO in advance of any work being done or billed. In fact, a SOW and PO was recently approved for Biztech for work on the online enrollment system.

Also, as discussed above, it must be noted that a written SOW has never been a written requirement for ECRA. As such, it is inaccurate to say that the failure to have a SOW in advance of work being done was a violation of ECRA policy, particularly for work being done as far back as 2015. Notwithstanding, going forward the written requirement of a SOW in advance of work being done has been implemented and will be complied with by all ECRA staff. In fact, a SOW and PO for Biztech was approved by the CBO, in July of 2019, which evidences compliance with the purchasing process.

(iv) *ECRCH's Executive Director approved payments for the invoices to CRM Maestro and Biztech even after the concerns above were brought both to the ECRCH Executive Director's attention and the ECRA Finance Committee's attention by*



*ECRCH's CBO:* as identified above, this was not an instance in which the work was not done, though ECRA understands and acknowledges that ECRA's FPP was not complied with as to some of the invoices. When a staff member is found to not have followed procedures, it is ECRA's policy to determine if the subject of the billing was done, whether it be materials provided or services rendered. If there is reasonable confirmation that the work was done, ECRA's policy has been to pay the invoice, and then counsel the employee on proper procedures and policies. When the issue with CRM Maestro and Biztech was initially raised by the CBO, it was reasonably confirmed that the work specified in the invoices was performed; this was confirmed through the submission of work logs and other documentation identifying the work done. (A copy of work logs representative of the details given by CRM Maestro and Biztech are attached as part of the responsive documents produced.)

Moreover, as discussed above, this same issue was specifically raised at the meeting of ECRA's Board's Finance Committee of April 24, 2019. During this meeting, the CBO's concerns regarding CRM Maestro and Biztech was raised, ECRA's policies regarding payment of such invoices and counseling the employee was discussed, and the Finance Committee recommended that the invoices be paid. (See minutes from the April 24, 2019 Finance Committee Meeting, a copy of which is attached to the responsive documents produced.) As such, this matter has been thoroughly reviewed by ECRA. And, as discussed at length above, ECRA has undertaken reasonable steps to ensure that such issues with CRM Maestro and Biztech do not occur again. In fact, a SOW and PO for Biztech was approved by the CBO, in July of 2019, which evidences compliance with the purchasing process.

(v) *While ECRCH's CCO's February 14, 2018 email to ECRCH's CBO stated that the agreements [with these two foreign entities] "appear to be standard agreements," ECRCH's CCO stated that he did not recall ever having seen these agreements before. ECRCH's CCO also stated in this email: "But let's be real, if there was ever a violation, it would be a nightmare pursuing a company in India for any breach. And suing them here in California would have little to no effect."* – the Board recognizes that it may be necessary at times to enter into contractual agreements with companies that are foreign or smaller in size, in order to obtain a more competitive or reasonable price. The Board has been advised that having computer programmers do the specific work needed for the projects that they were asked to do, would cost significantly higher if a US-based company were used. As such, the Board is satisfied that ECRA staff exercised reasonable business judgment in agreeing to go forward with CRM Maestro and Biztech.

Moreover, it should be noted that, at the time these contracts were entered into, ECRA had an existing relationship with CRM Maestro and Biztech that went back to at least 2015. As such, ECRA has been satisfied with the quality and nature of work performed by CRM Maestro and Biztech, notwithstanding the concerns raised by the former Accounting and Finance Manager. In fact, ECRA was very recently visited by another charter school, which reviewed the SRM system designed by CRM Maestro. This visiting school was so impressed with the SRM system that they have asked to help



pay for the continuing development of the system, in exchange for which they would be able to use the system once it is developed.

**Response to A(g):** *ECRCH's former Accounting and Finance Manager's concerns regarding the payments to CRM Maestro and Biztech (as referenced in her July 13, 2019 email communication to the school's ED, COO, and CBO) include, but are not limited to:*

(i) *"[T]here was no reason to wait on submission of this PO even if there were delays in payment. It would be helpful to be more communicative in the future rather than waiting to the last minute."* – There does not appear to be a real question or issue here, just a complaint that a PO was submitted and asked to be approved quickly, given that there was a need to have some programming work done just before the start of school. It should be noted that there were outstanding invoices at this time that were a year old that had been unpaid, which made it difficult to determine if another PO, if processed, would have been paid. However, the PO was eventually submitted and approved.

(ii) *"[T]he SOW and contract are very vague and not detailed and there is no way for anyone to assess the deliverables and we are left to trust that this is done, yet again."* – The SOW was created by the CIO, the individual most familiar with the exact work needed by CRM Maestro and Biztech, based on the CIO specifications and the needs of the school. The contract was reviewed by the CCO, a licensed attorney who was satisfied with the terms of the contract (even if it was standard/simple in nature). As such, the Board is satisfied that staff used reasonable business judgment in determining that the PO should be approved based on the SOW and contract provided.

(iii) *"These are consulting services and they have been assigned to the Technology budget. I would suggest that there needs to be a true and unbiased review of what the direction of the school as a whole should be when it comes to these types of software development and I leave that in your hands."* - The programming needed that was the subject of the SOW, contract and PO were all based on the specific needs of ECRCHS. There was no off-the-shelf product that the school was aware of that would meet its needs, and so the decision was made to have the outside programmers create the exact product needed. Again, this was based on the reasonable business judgment of the CIO, who is the individual with the appropriate training and knowledge needed to make this type of determination.

From a broader perspective, it should also be noted that the quality of work done by CRM Maestro, at least in terms of the SRM system being developed, was so impressive that another charter school that reviewed the SRM system has asked to be involved in completing the development. ECRA welcomes CSD to also come and review the system.



Finally, it should be noted that the development of an SRM system has been part of ECRA's LCAP, since at least the 2016-2017 school year. (See relevant portions of ECRA's LCAP, attached as part of the responsive documents produced.)

**Response to B(a):** *Based on the CSD's review of the Excel files with payment transaction (provided by ECRCH's CBO to the CSD on August 19, 2019), spanning from Fiscal Years 2012-2013 through 2017-2018, ECRCH made approximately \$301,430 in payments to Novian, and Covantia, LLC. The transaction descriptions referenced in the accounting included software development and Integration Gateway, business technology, non-instructional consultants, computer/equipment, etc. Based on these Excel files, the \$301,430 in payments consisted of \$85,672 in payments to Novian and \$215,758 in payments to Covantia, LLC for Fiscal Years from 2012-2013 through 2017-2018, with the last payments made to Novian and Covantia, LLC on October 20, 2014, and September 15, 2017, respectively.*

ECRA staff thoroughly investigated the issues surrounding having business entities owned by a family member of the CIO, including interviewing multiple witnesses including former staff members. The results of the investigation were shared with the Board during closed session, since the matter involved possible Public Employee Discipline / Dismissal / Release; this closed session took place during a Special Board Meeting which occurred on March 15, 2018. Based on the results of this investigation, the Board is satisfied that ECRA has undertaken all necessary actions needed in order to deal with any potential conflicts, and to ensure that this type of event does not happen again. (A copy of the Special Meeting Minutes is attached as part of the responsive documents produced.)

**Response to B(b):** *The ECRCH CBO's concerns regarding the payments to Novian and Covantia, LLC (as referenced in his email communication to the CSD on August 19, 2019) include, but are not limited to: i. These two entities (Novian and Covantia, LLC), were companies owned by ECRCH's CIO and/or a family member of ECRCH's CIO, which could constitute a conflict of interest for the school.*

As discussed above, this issue was thoroughly investigated and the results of the investigation shared during closed session at the March 15, 2018 Special Board Meeting. While there is no dispute that the two entities, Novian and Covantia, LLC, are owned by the CIO's father, the Board has taken into consideration that this was disclosed at the time the relationship was entered into, in approximately 2011. While there may be a potential conflict in using a business owned by a family member as a vendor, ECRA has undertaken appropriate actions in response to this issue and has ceased using Novian since the 2014-2015 school year and Covantia since August of 2017.



**Response to C:** *The ECRCH CBO expressed his concern in various email communications to ECRCH's CCO regarding the potential violation of the school's nepotism policy involving an ECRCH Assistant Principal and an Office Assistant II of the school (who may be related to each other). The Office Assistant reports directly to this Assistant Principal, and their relationship was not disclosed during the hiring process of the Office Assistant.*

It should be noted that this is an operational/staffing matter, in which the Board would normally not involve itself. However, the Board has been advised that this matter was investigated and appropriate actions taken regarding the failure to disclose the nature of the relationship between the Assistant Principal and the Office Assistant at the time the Office Assistant was hired. Moreover, the Board has been advised that the Office Assistant, while in charge of the program, is not the direct supervisor of the Office Assistant; rather, the Office Assistant reports directly to a certificated staff member who oversees the Office Assistant's work and who is responsible for the Office Assistant's evaluation. Also, the work schedule and any requests for overtime by the Office Assistant is overseen by the HR Manager.

Based thereon, ECRA's Board is satisfied that appropriate steps were taken to ensure that the nepotism policy is adhered to, and that any potential conflict of interest between the Assistant Principal and the Office Assistant is minimized.

#### **REQUEST NO. 4:**

*In relation to CRM Maestro, and Biztech IT Consultancy Private Limited, please provide:*

- (a) A complete accounting of all payments made by ECRCH to CRM Maestro and Biztech, including, but not limited to, the American Express credit card payments and PayPal transactions, from the initiation date through the present.*
- (b) A complete explanation and supporting documentation regarding ECRCH's decisions for awarding contracts to CRM Maestro and Biztech.*
- (c) A list and copies of the bidding documentation relating to the services provided by CRM Maestro and Biztech.*
- (d) A list and copies of all signed and executed contracts (including attachments and exhibits) between these two foreign entities and ECRCH.*
- (e) A list of and copies of Scope of Work from CRM Maestro and Biztech for the last two completed fiscal years through the current date—i.e., for the period spanning from July 1, 2017 through the present.*
- (f) A comprehensive status report of all specific proposed projects, completed work, and pending projects (including dates and detailed descriptions of the deliverables) with CRM Maestro and Biztech, and the ECRA governing board's verification of this status report.*
- (g) Complete explanations for the omission of any documentation relating to Items 5(a) through 5(f) above.*



**RESPONSE TO REQUEST NO. 4:**

(a) *A complete accounting of all payments made by ECRCH to CRM Maestro and Biztech, including, but not limited to, the American Express credit card payments and PayPal transactions, from the initiation date through the present.*

Copies of the relevant accounting documents are attached as part of the responsive documents produced.

(b) *A complete explanation and supporting documentation regarding ECRCH's decisions for awarding contracts to CRM Maestro and Biztech.*

The decision to use these two entities was solely economic in nature – for the specific type of work needed, creating customized programs that would meet very specific needs of the school, it was determined that utilizing foreign programmers would represent a significant cost savings than using US-based programmers. (For example, a quote was obtained from a US-based programmer for project management work, at \$175.00 an hour; based on the CIO's experience and knowledge, actual programming work is charged at a significantly higher price than project management work. A copy of this quote is attached as part of the responsive documents produced.)

(c) *A list and copies of the bidding documentation relating to the services provided by CRM Maestro and Biztech.*

No formal bidding process was used, as at the time the relationships with CRM Maestro and Biztech was started (in 2015-2016), the threshold for use of a bidding for which Board approval was required was \$100,000 or more. (See Fiscal Policies and Procedures approved December 9, 2015, attached as part of the responsive documents produced.) Rather, the CIO had experience working with Biztech through Covantia, LLC, and was comfortable with the quality of the work provided, and was aware that the price charged was significantly lower than what could be obtained in the U.S. mark. As such, it was decided to utilize these two companies for ongoing programming work.

(d) *A list and copies of all signed and executed contracts (including attachments and exhibits) between these two foreign entities and ECRCH.*

A copy of all such contracts are attached to the responsive documents produced.

(e) *A list of and copies of Scope of Work from CRM Maestro and Biztech for the last two completed fiscal years through the current date—i.e., for the period spanning from July 1, 2017 through the present.*



A copy of all such Scope of Work documents are attached to the responsive documents produced.

(f) *A comprehensive status report of all specific proposed projects, completed work, and pending projects (including dates and detailed descriptions of the deliverables) with CRM Maestro and Biztech, and the ECRA governing board's verification of this status report.*

A comprehensive status report is attached to the responsive documents produced. Please note that some of the projects, particularly the ERP system, were developed over the course of several years, including adding or modifying features and functionalities based on specific requests from or needs of ECRA staff. As such, some of the projects will not have specific start and end dates; however, the comprehensive list of features and functionalities in the report identifies the extent of the deliverables provided by CRM Maestro and Biztech.

(g) *Complete explanations for the omission of any documentation relating to Items 5(a) through 5(f) above.*

There are no documents attached to subsections (b) or (c) above, as no bidding process was used (since, to ECRA's understanding, none was required at the time). Rather, as identified, the CIO was aware that the specialized type of programming needed, that was specific to and customized for ECRA's use, would cost significantly higher if a U.S. based company was used. As he had knowledge of and experience working with Biztech initially, and given the competitive pricing offered, it was decided to work with Biztech and CRM Maestro. Again, at the time these relationships were started, there was no requirement for Board approval or bidding process for projects of this type.

#### **REQUEST NO. 5:**

*In relation to Novian, and Covantia, LLC, please provide:*

- (a) *A complete explanation and supporting documentation regarding ECRCH's decisions for awarding contracts to Novian and Covantia, LLC.*
- (b) *A list and copies of the bidding documentation relating to the services provided by Novian and Covantia, LLC.*
- (c) *Documentation regarding the disclosure of the conflict in writing by the financially interested employee (i.e., ECRCH's Chief Information Officer). If this information is not available, please explain.*
- (d) *A complete description of the services provided by Novian, and Covantia, LLC, in comparison to the services provided by CRM Maestro, and Biztech.*



(e) *An explanation as to how the ECRA governing board verifies the work actually completed by Novian, and Covantia, LLC for the benefit of the school.*

**RESPONSE TO REQUEST NO. 5:**

(a) *A complete explanation and supporting documentation regarding ECRCH's decisions for awarding contracts to Novian and Covantia, LLC.*

In order to understand the nature of the relationship between ECRA and Novian and Covantia, it is important to understand the timeframe in which this relationship began. When ECRA first went charter in 2011, it had no credit history, no sourcing for goods and materials, and no relationships with vendors that would allow ECRA to purchase basic supplies such as books and computers. As such, upon becoming a charter school, ECRA had to find support from stakeholders in order to meet its basic needs. To that end, the CIO's father, Delgado, Sr., who owned a procurement company at the time, offered to assist ECRA in obtaining goods and materials – this was done through the use of Delgado, Sr.'s company Novian. In fact, one of ECRA's AP's affirmed that Delgado, Sr. came to one of ECRA's very early Board meetings, along with other potential vendors; further, this AP affirmed that it was disclosed at the time that Delgado, Sr. was the CIO's father.

Later, ECRA decided that it needed to develop certain software that would help with school operations. This included creating a customized ERP program in order to integrate the school's operational functions. Delgado, Sr. was requested to assist in the customization of the ERP program; based on this request, Delgado, Sr.'s company Covantia, LLC initially paid all costs associated with customizing the ERP platform for its use. Subsequently, ECRA agreed to pay the overhead costs associated with having these programmers work on behalf of ECRA – this is the genesis of the costs associated with these two entities. As more programming work was needed, not only on on-going customization of ERP but also in creating an attendance/tardy system, Covantia, LLC were used as needed.

ECRA staff thoroughly investigated the issues surrounding having business entities owned by a family member of the CIO, including interviewing multiple witnesses including former staff members. The results of the investigation were shared with the Board during closed session, since the matter involved possible Public Employee Discipline / Dismissal / Release; this closed session took place during a Special Board Meeting which occurred on March 15, 2018. Based on the results of this investigation, the Board is satisfied that ECRA has undertaken all necessary actions needed in order to deal with any potential conflicts, and to ensure that this type of event does not happen again.



(b) *A list and copies of the bidding documentation relating to the services provided by Novian and Covantia, LLC..*

No bidding documentation relating to the services provided by Novian and Covantia, LLC. As identified above, the relationship started as far back as 2011, when Delgado, Sr. came to a Board meeting and provided a proposal for helping the School at a time when it had just become a charter school and needed a great deal of assistance in obtaining goods and services. There were no written fiscal guidelines in place that necessitated a bidding process.

(c) *Documentation regarding the disclosure of the conflict in writing by the financially interested employee (i.e., ECRCH's Chief Information Officer). If this information is not available, please explain.*

This disclosure was not made in writing at the time the relationship was entered into in 2011, but was rather disclosed orally. Moreover, there was no requirement at the time that ECRA is aware of that necessitated that the disclosure be done in writing. However, as will be discussed below, the Employee Handbook has been revised to require disclosure in writing of such conflicts of interest to Human Resources.

(d) *A complete description of the services provided by Novian, and Covantia, LLC, in comparison to the services provided by CRM Maestro, and Biztech.*

Novian was a procurement company that ECRA primarily used to purchase goods (mainly computer products and textbooks) on its behalf<sup>5</sup>. Novian was also used to provide some computer programming work, including development of ECRA's first website. Attached to the responsive documents are check registers showing some of the goods purchased and services provided.

Covantia, LLC was a computer programming company that provided programming services for ECRA. Primarily, this consisted of development of the ERP system, customizing the ERP system as well as creating / modifying various modules for ECRA's use. This included created / modifying functionality for the ERP's Human Resources system, purchasing system, Accounting system, and Point of Sale system. The development of these systems was overseen by the CIO, and some are still in use today. Covantia worked on not only integrating these systems in ERP, but also integrating them into other applications used by ECRA, such as Aeries and Adobe.

Biztech is a company based in India that has approximately 150 engineers, programmers, and designers on staff. Biztech was initially used to work on some of the

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<sup>5</sup> It is ECRA's understanding that Novian was an LAUSD-approved vendor as well, since approximately October of 2010.



modules for ERP, and as such there was some overlap in time (though not in the work done) between Biztech and Covantia. Eventually, when Covantia ceased doing computer systems work in 2017, Biztech became the primary vendor for integrating and updating ERP. Biztech was also hired to create ECRA's textbook application, online enrollment system, and the lottery and waitlist management program.

CRM Maestro is a subsidiary of Biztech, and specializes in creation of integrated resource management systems. CRM Maestro has been asked to assist in the development of the SRM system.

(e) *An explanation as to how the ECRA governing board verifies the work actually completed by Novian, and Covantia, LLC for the benefit of the school.*

Given that neither Novian or Covantia, LLC has done any work for ECRCHS in some two plus years<sup>6</sup>, there is no current process to verify that the work they are doing is being done for the benefit of the school. However, as a general guideline, ECRA's Board verifies that work is actually done by vendors based on discussions with staff and tangible items that can be seen. In this instance, Novian was a procurement company through which equipment, particularly computers, were purchased from 2011 through 2014-2015, and Covantia, LLC worked on various software development at ECRA's request from approximately 2012 through August of 2017. The ECRA Board cannot, some 4 plus years later, determine whether the equipment purchased through Novian was received. However, all invoices were reviewed by accounting staff and by various staff members, such as the former Assistant Principal. If there was any dispute as to receipt of the goods ordered, it would certainly have been raised at the time. Moreover, as to the programming work that Covantia did, these were project-specific items, such as the ERP system or the e-commerce site – these items are verifiable in that ECRA continues to use these items on a daily basis.

## **REQUEST NO. 6**

*Please provide a written plan that includes a detailed explanation as to how the ECRA governing board and ECRCHS will address each of the non-compliant items (if any) relating to issues above, and how ECRA's governing board will hold the school leadership and/or employees accountable. Further, indicate (within in [sic] the written plan) what new procedures and/or changes will be implemented, and by when.*

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<sup>6</sup> Specifically, Novian has not done any work for ECRA since approximately 2014, while Covantia last did work for ECRA in August of 2017.



## **RESPONSE TO REQUEST NO. 6**

As identified and discussed above, each of the non-compliant items discussed above were already investigated and addressed, well before this Notice of Concern was issued. Specifically:

Novian and Covantia, LLC – as identified above, the issues surrounding the use of these two vendors, and the relationship between the CIO and the two companies, was thoroughly investigated by ECRA staff, in particular the CCO. As a result of this investigation, appropriate actions were taken to hold the employee accountable, as warranted. Due to privacy issues, ECRA will not and cannot disclose what actions were taken; however, ECRA’s Board is satisfied that the extent of the actions taken were appropriate. Moreover, since it has been years since either of these vendors were used, there is no further action needed by the Board to ensure ongoing compliance as to these vendors.

CRM Maestro and Biztech – as discussed above, ECRA has undertaken all necessary steps to ensure that any future work to be done by these entities will have an approved SOW and PO before any work is done. Any issues with prior failure to have an approved SOW and PO have been addressed, and appropriate actions taken (which, again, cannot be disclosed here due to privacy issues). Moreover, it should be noted that a written SOW was not a requirement in ECRA’s fiscal policies; in fact, adding a written requirement for a SOW will be considered by ECRA’s Board at its next Board meeting in November. As of now, however, there is no such written requirement nor has there ever been such a written requirement. However, ECRA’s staff, including the CIO, has been specifically advised and instructed to ensure that a SOW and PO for all ongoing projects are submitted before work is done.

Potential Violation of Nepotism Policy – as discussed above, ECRA has already investigated this issue, and has undertaken appropriate actions for the failure to disclose the familial relationship (which cannot be disclosed here due to privacy issues), including ensuring that the Assistant Principal does not directly supervise the staff member, and that other staff are responsible for the staff member’s time reporting. Moreover, all staff have been made aware, through the Employee Handbook, of the school’s nepotism policy, and ECRA will continue to monitor this issue to ensure that all staff comply with the written requirements accordingly. Additionally, ECRA’s management will be provided training during an administrative meeting regarding the nepotism policy; this training will take place on November 15, 2019.

Further, the Employee Handbook has been revised to further strengthen the requirement that all possible nepotism and conflict of interest issues must be disclosed in writing and approved before any such relationship is entered into. A true and correct copy of the Employee Handbook and the Addendum thereto is attached as part of the responsive documents produced.

New Procedures and/or Changes – the primary change made was to revise the FPP to include the requirement for a written SOW approval process, including detailed information as to



what is required of a SOW. ECRA will ensure that all vendors who provides services to the school will comply with the SOW process.

## CONCLUSION

As discussed at length above, ECRA was aware of the issues surrounding CRM Maestro and Biztech, and Novian and Covantia, LLC. ECRA's Board has been advised that a thorough investigation was done regarding these vendors, and is satisfied that any fiscal issues surrounding the use of these vendors has been reviewed and handled in an appropriate and reasonable manner. ECRA will continue to ensure that its FPP is complied with, and will continue monitoring any further issues that may arise with such compliance, from these vendors as well as all other vendors as is appropriate and prudent and necessary.

Further, ECRA welcomes CSD to come and inspect the various computer systems and programs created by the various vendors identified in the Notice. In particular, CSD is welcome to come and review the SRM system which is still in development with the assistance of CRM Maestro.

ECRA strives to maintain compliance with all applicable fiscal requirements. We appreciate this opportunity to share with you what has transpired in the past and what our plans are for ensuring that all reasonable and necessary steps are taken so that no further issues arise like those raised in the Notice of Concern.

Sincerely,

A handwritten signature in blue ink, which appears to be 'Scott Silverstein', is written over the word 'Sincerely,'.

Scott Silverstein  
Board Chair