



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

May 7, 2014

Dr. Tony McLain, President
Lake Superior State University
650 West Easterday Avenue
Sault Ste. Marie, MI 49783-1626

Dear Dr. McLain:

My staff has reviewed the circumstances surrounding your concerns regarding Grand Traverse Academy and has come to some understanding of those issues. We are thankful that you have involved us in these discussions and look forward to working with you in the future.

First and foremost, we have an obligation to ensure that state and federal education funds are used properly and in the best interest of students. It appears that funds were pre-paid to the previous management company and in doing so may place the public school academy in financial risk. That potential financial risk provides you with the authority you need to take corrective actions. While the Michigan Department of Education has no statutory authority to recommend any corrective actions, you may want to consider the following:

- a. The academy board, at its own expense, may conduct a forensic audit to determine what, if any, school assets have been misused or misspent,
- b. The academy board may take steps to recover the excess prepayments to the previous management company via whatever legal means necessary,
- c. The academy board may replace the current management company through a reconstitution process,
- d. The academy board establishes clear and unambiguous policies that would prohibit contract prepayments of any kind without academy board and authorizer approval,
- e. The academy board establishes clear and unambiguous academy board policies that would prohibit contracts that include or involve nepotism, conflicts of interest, or related party transactions, in any form or fashion,

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- f. LSSU could replace all academy board members that were in place when the previous management contract was approved,
- g. LSSU publishes a Request for Proposal to assist a new academy board with the selection of a new management company,
- h. LSSU publishes a set of Education Service Provider (ESP) policies that focus on ensuring the expected behavior of management companies,
- i. LSSU adds a reference to the new ESP policies in every charter contract so that violating an ESP policy can also be considered a breach of the charter contract, and further justification for corrective action should something like this happen in the future.

While the academy board of the Grand Traverse Academy may be legally guilty of nothing but poor judgment, it is incumbent upon all of us to ensure the credibility of our public school system.

Should you require additional assistance, please do not hesitate to contact Mark Eitrem, from our Public School Academy unit, at eitremm@michigan.gov or 517-241-6668, and Glenda Rader, from our Office of State Aid and School Finance, at raderg@michigan.gov or 517-335-0524.

Sincerely,



Michael P. Flanagan
State Superintendent

Cc: Nick Oshelski, Lake Superior State University
Travis Comstock, Assistant Attorney General
Kyle Guerrant, Deputy Superintendent
Jane Schultz, Office of Financial Management
Glenda Rader, Office of State Aid and School Finance
Mark Eitrem, Office of Education Improvement and Innovation