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10 SUPERIOR COURT OF THE STATE OF CALIFORNIA  
11 COUNTY OF SAN DIEGO

12 THE PEOPLE OF THE STATE OF  
13 CALIFORNIA,

14 Plaintiff,

15 vs.

16 SEAN JOSEPH MCMANUS, JASON ALAN  
17 SCHROCK, et al.

18 Defendants.  
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CASE NO. SCD266439  
DA NO. AEM242

**MOTION TO APPROVE FORMATION OF  
A MULTI-AGENCY TASK FORCE AT THE  
EXPENSE OF THE RECEIVERSHIP**

Date: September 21, 2023  
Time: 1:30 p.m.  
Dept.: 1603  
Judge: The Honorable Robert C. Longstreth

1 TO THE COURT, ALL PARTIES, AND THEIR COUNSEL OF RECORD:

2 William Robert Ayres, Successor Receiver to Richard Kipperman (the “Successor Receiver”),  
3 hereby submits this MOTION TO APPROVE FORMATION OF A MULTI-AGENCY TASK  
4 FORCE AT THE EXPENSE OF THE RECEIVERSHIP, and states as follows:

5 **INTRODUCTION**

6 1. The Successor Receiver hereby seeks the Court’s approval to form a Multi-Agency  
7 Task Force (“Task Force”), to cause William Robert Ayres, among several others, to become a party  
8 to the Task Force, and bound by the terms and conditions set forth in the Multi-Agency Task Force  
9 Memorandum of Understanding (“MOU”) in substantially the same form as attached, a copy of which  
10 is attached as Exhibit “A” and incorporated herein by reference. The Successor Receiver also seeks  
11 the Court's approval to use funds from the receivership estate to pay for the costs incurred by the Task  
12 Force, which shall not exceed \$25,000.00 per year. Thus, allowing costs incurred by any of the  
13 member agencies of the Task Force related to the duties imposed by the MOU to be submitted to and  
14 paid by the Successor Receiver either directly or as reimbursement to the agency incurring the cost.

15 2. Pursuant to Section 14502.1 of the California Education Code (“CEC”), the California  
16 State Controller’s Office (“SCO”) is granted authority to form a multi-agency system for the oversight  
17 of California charter schools. The leading parties of the Task Force would include the SCO, that will  
18 also serve as Chair, the Office of the San Diego District Attorney, the Successor Receiver, and his  
19 representative (the “Leading Parties”). The Task Force would include a total of 18 members from  
20 several agencies that are involved in the auditing process of California charter schools and/or involved  
21 in this Case (as defined below). The Task Force will be responsible for producing a comprehensive  
22 report regarding their findings and recommendations no later than the one-year anniversary of its first  
23 meeting, or June 30, 2024, whichever comes first (the “Report”). The Report will be shared with each  
24 of the participating agencies and the presiding Judge in *In re McManus*, Case No. SCD266439, San  
25 Diego Superior Court (“Case”).

26 3. In the exercise of his professional business judgment, the Successor Receiver has  
27 determined that the formation of the Task Force will allow for more transparency and accountability  
28 with California charter schools’ auditing procedures to avoid encountering another situation like this



1 on March 29, 2022. Pursuant to that certain Stipulation Regarding Resignation of Richard Kipperman  
2 as Receiver and Appointment of William Robert Ayres of Corporate Management Inc. as Successor  
3 Receiver; Order (“Successor Receiver Order”), Mr. Ayres was appointed Successor Receiver with all  
4 rights, powers and privileged of the Receiver.

5 **DISCUSSION**

6 7. Pursuant to Section 14502.1 of the CEC, the SCO is granted authority to establish and  
7 lead a multi-agency system of oversight for audits of charter schools to ensure compliance. Here, in  
8 accordance with the aforementioned section, the Leading Parties and the CDE propose the  
9 establishment of a Task Force according to the terms of the MOU.

10 8. The primary objective of the Task Force is to examine the audit functions of California  
11 charter schools and develop comprehensive guidelines that will promptly identify financial issues or  
12 misconduct beginning with the charter school authorizers, subsequently the County Offices of  
13 Education, followed by the CDE, and ultimately the SCO. Thereafter, the Task Force will draft a  
14 Report that will provide a comprehensive evaluation that is essential to identifying any potential or  
15 occurring issues with regards to the auditing functions within the California charter school system.  
16 The Successor Receiver believes that this Task Force can create a potential routine future outcome  
17 that might create a preventative paradigm that contrasts with the success of the Successor Receiver’s  
18 litigation in this Case.

19 9. Charter-school audits are “incidental to supervision of accounts of public school  
20 districts, since charter schools were part of public school system, received portion of state's annual  
21 investment in public education, and maintained statutorily established relationship with public school  
22 districts.” 78 A.L.R.5th 533 (Originally published in 2000). Here, it is essential that the Task Force  
23 determine whether each entity with authority to determine whether mismanagement of public funds  
24 is occurring within the charter school also take responsibility for supervision of the charter schools.  
25 The entities that are responsible for management of California’s annual investment of public  
26 education dollars for charter schools relies specifically on the charter school authorizers, the County  
27 Offices of Education for the districts, the CDE, and the SCO. The Task Force will create improved  
28 guidelines and will analyze whether each entity responsible for oversight of the charter schools are

1 adequately adhering to the proper guidelines for auditing of the charter schools, reporting any  
2 mishandling of public funds, or improperly reporting to the State of California the number of students  
3 attending the charter schools or their attendance records to receive additional funds.

4 10. In order to perform the functions of the Task Force, the Successor Receiver seeks the  
5 Court's approval to use funds from the receivership estate to pay for the costs incurred by the Task  
6 Force, which shall not exceed \$25,000.00 per year. The Leading Parties and the CDE have agreed to  
7 hold the meetings in a virtual format, thereby reducing the expenditures typically associated with  
8 organizing such meetings in person.

9 11. Therefore, the Task Force can analyze California charter schools, their audit  
10 guidelines, their auditors, their audit reports, and the entities responsible for supervising the charter  
11 schools to provide conclusive evidence whether California charter schools are adhering or diverting  
12 from the auditing procedures. In addition, the Task Force can provide an account of any suspicious  
13 wrongdoings and misrepresentations made by the auditors or by the California charter schools in a  
14 comprehensive Report for the participating agencies and the presiding Judge in *In re McManus*, Case  
15 No. SCD266439, San Diego Superior Court.

16 **RELIEF REQUESTED**

17 12. The Successor Receiver requests that the Court issue an order providing that:

- 18 i. The Motion is granted.
- 19 ii. The Task Force Memorandum of Understanding, as set forth as an  
20 attachment to this Motion, is approved and incorporated herein.
- 21 iii. William Robert Ayres, the Successor Receiver, in his capacity as successor  
22 receiver, is authorized and empowered to execute the Task Force  
23 Memorandum of Understanding, in substantially the form as submitted as an  
24 attachment to this Motion, and any and all ancillary documents necessary or  
25 appropriate, in his business judgment, to effectuate the terms thereof,  
26 specifically authorizing expenditures from the receivership estate.
- 27 iv. This Court shall retain jurisdiction over any matter or dispute arising from or  
28 relating to the implementation of this Order, the Task Force, the Task Force

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Memorandum of Understanding, or any ancillary documents related thereto.

v. Except as expressly provided in this Order regarding the Task Force or Task Force Memorandum of Understanding, nothing herein or the Motion acts to modify or amend the Receiver Orders.

13. WHEREFORE, THE SUCCESSOR RECEIVER RESPECTFULLY REQUESTS THAT THE COURT GRANT THIS MOTION, ENTER AN ORDER WITH THE TERMS SET FORTH ABOVE, GRANT SUCH OTHER RELIEF AS THE COURT DEEMS JUST AND PROPER.

Dated: August 30, 2023

DINSMORE & SHOHL LLP

By:   
\_\_\_\_\_  
Christopher Celentino  
Vanessa E. Rodriguez  
Counsel to William Robert Ayres,  
Successor Receiver to Richard Kipperman,  
Receiver

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**EXHIBIT "A"**

**MULTI-AGENCY TASK FORCE MEMORANDUM OF UNDERSTANDING**

**MULTI-AGENCY TASK FORCE**  
**MEMORANDUM OF UNDERSTANDING**

**August 30, 2023**

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1. **BACKGROUND.** In the course of the investigation by William Robert Ayres, Successor Receiver to Richard Kipperman, Receiver (the "Successor Receiver") concerning some of the underlying problems in discovering the depth and breadth of the theft of California State resources in the Sean McManus case, the Successor Receiver's counsel found that the inadequacy of the audit services performed by the online charter schools' auditors were a significant problem. Indeed, in one of the auditor's depositions, he contended that there was little guidance or training concerning the appropriate standards for the audit. A copy of the A3 Education Auditor Liability report by the Successor Receiver's counsel, dated July 29, 2022, is attached hereto and incorporated herein by reference -- all Work Product and Attorney-Client privileges apply.
2. **PURPOSE.** Section 14502.1 of the California Education Code grants authority to the California State Controller's Office (the "SCO") to establish and lead a multi-agency system of oversight for audits to ensure school compliance. In accordance with the aforementioned section, the Office of the San Diego District Attorney, in collaboration with the Successor Receiver and his counsel, proposes the establishment of a Multi-Agency Task Force (the "Task Force") under the leadership of the SCO. The primary objective of the Task Force is to examine the audit functions of California charter schools and develop comprehensive guidelines that will promptly identify financial issues or misconduct beginning with the charter school authorizers, subsequently the County Offices of Education, followed by the California Department of Education (the "CDE"), and ultimately the SCO.
3. **LEADING PARTIES.** The Task Force will be led by the Office of the San Diego District Attorney, the SCO, the Successor Receiver, and his representative (the "Leading Parties").
4. **CHAIR.** The SCO shall serve as Chair of the Task Force and shall provide necessary staff support.
5. **MEMBERS.** The Task Force will be comprised of members from the following:
  - a. One member from the SCO who shall serve as Chair;
  - b. One member from the State of California Fiscal Crisis & Management Assistance Team ("FCMAT");
  - c. One member from the California Charter Schools Association;
  - d. One member from the Office of the San Diego District Attorney;



- e. One member as a representative of the Successor Receiver;
- f. One member as the Successor Receiver;
- g. One member from the CDE Charter School Division;
- h. One member from the California Association of School Business Officials ("CASBO");
- i. One member from the California County Superintendents ("CCS") fka California County Superintendents Educational Services Association ("CCESA");
- j. One member to serve as an auditor from the Freeman & Mills consulting firm, specifically David B. Connelly, CPA, JD;
- k. One member from the Charter Authorizer Support Initiative ("CASI");
- l. One member from the California School Boards Association ("CSBA");
- m. One member from the Department of Finance;
- n. Two members from the CDE School Fiscal Services Division, one member from the audit side and one member from the funding/instructional time side; and
- o. Three members, as chosen by the above fifteen members, from the following:
  - i. One member from one of the three largest authorizing Districts in California, based on the number of schools under its jurisdiction, and
  - ii. Two members from the following California County Offices of Education:
    - 1. Los Angeles County Office of Education;
    - 2. Monterey County Office of Education;
    - 3. Santa Barbara County Office of Education;
    - 4. San Diego County Office of Education;
    - 5. Sonoma County Office of Education;
    - 6. Tulare County Office of Education;
    - 7. Sutter County Office of Education; and
    - 8. San Bernardino County Office of Education.

6. **GOALS.** The goals of the Task Force, among others, will be to:
  - a. Evaluate the system for authorizing auditors and review the required qualifications for serving in this function;
  - b. Review the protocol for training and evaluating authorized auditors;
  - c. Evaluate the compliance of authorized auditors conducting reviews of California charter schools with the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide);
  - d. Develop guidelines and requirements, including notification requirements, for the charter school and the auditor in the event of auditor termination or replacement by a charter school;
  - e. Identify best practices and recommendations for the improvement of the audit process for California charter schools;
  - f. Identify potential legal or regulatory obstacles to the implementation of the recommendations, and provide guidance for overcoming such obstacles;
  - g. Provide timely and accurate information on the state of California charter schools, including compliance issues, areas for improvement, and best practices; and
  - h. Foster a culture of transparency and accountability in auditing operations, and promote trust and confidence in the oversight of California charter schools.
7. **MEETINGS.** The Task Force shall be formed immediately upon receiving Court approval on the formation of the Task Force. The Task Force meetings will occur virtually, allowing members to participate remotely. Meetings shall be held once every two months over a span of four months. Thereafter, meetings shall be held quarterly, or as often as necessary, to produce a comprehensive report and recommendations no later than the one-year anniversary of its first meeting, or June 30, 2024, whichever comes first. That report shall be shared with the CDE, each of the agencies participating, and the presiding Judge in *In re McManus*, Case No. SCD266439, San Diego Superior Court.
8. **RESPONSIBILITIES.** Each member of the Task Force shall be responsible for attending all meetings, participating in discussions, providing input, and carrying out any tasks assigned to them by the Task Force. The Leading Parties shall be responsible for coordinating and facilitating the meetings, as well as preparing and submitting the final report.
9. **COSTS AND REIMBURSEMENT.** Any costs incurred by any of the Leading Parties, including the Chair, as well as the Task Force members, related to the duties imposed by this Memorandum of Understanding ("MOU"), including but not limited to, staffing, travel, research, consultants, meetings and/or reports of the Task Force, whether in draft or final, shall be submitted to the Successor Receiver and paid by the Successor Receiver either

directly or as reimbursement to the entity incurring the cost. However, such costs shall not exceed \$25,000.00 per year, unless modified by a Court order. Any costs rejected by the Successor Receiver shall be reviewed by the Court.

10. **CONFIDENTIALITY**. All discussions and materials produced by the Task Force shall be confidential and may not be disclosed to any third party without the prior written consent of the Leading Parties and the presiding Judge in *In re McManus*, Case No. SCD266439, San Diego Superior Court.
11. **TERM**. This MOU shall remain in effect until the final report is completed and submitted to the CDE, each of the agencies participating, and the presiding Judge in *In re McManus*, Case No. SCD266439, San Diego Superior Court.
12. **AMENDMENT**. This MOU may be amended at any time by mutual agreement by the Leading Parties, in writing.
13. **SIGNATURES**. This MOU shall be deemed executed and binding upon all parties upon signatures below.

DATED: \_\_\_\_\_, 2023

DINSMORE & SHOHL LLP

By: \_\_\_\_\_

Christopher Celentino  
*Attorneys for William Robert Ayres, Successor  
Receiver to Richard Kipperman, Receiver*

DATED: \_\_\_\_\_, 2023

DISTRICT ATTORNEY'S OFFICE

By: \_\_\_\_\_

Summer Stephan  
Leon Schorr  
Kevin Fannan  
*Attorneys for the People of The State of California*

DATED: August 30, 2023

CALIFORNIA STATE CONTROLLER'S OFFICE

By: \_\_\_\_\_

Richard J. Chivato  
Chief Legal Advisor to the State Controller  
*Attorneys for the California State Controller's Office*