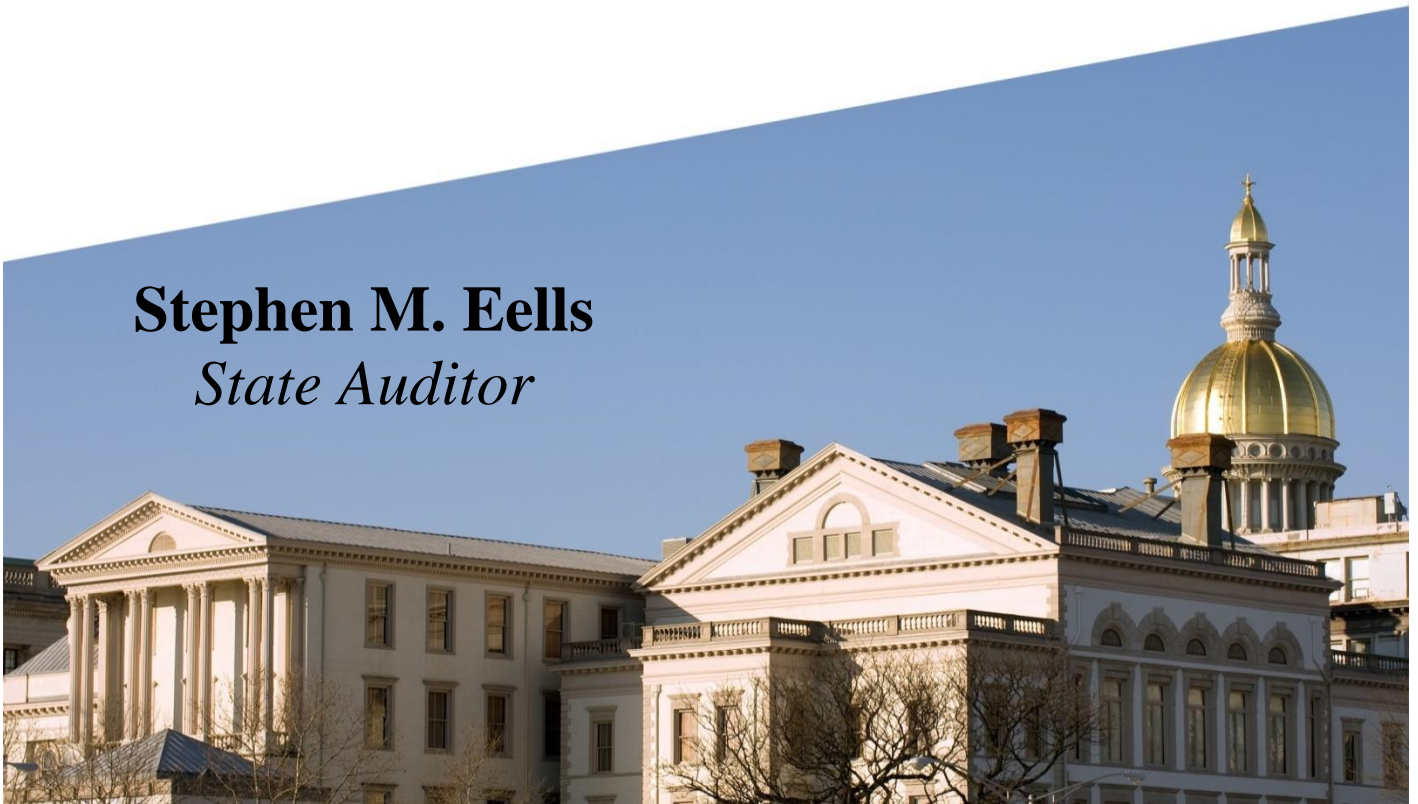


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of Education
Renaissance Schools

July 1, 2015 to October 2, 2018

Stephen M. Eells
State Auditor



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Enclosed is our report on the audit of the Department of Education, Renaissance Schools for the period of July 1, 2015 to October 2, 2018. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
January 24, 2019

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Scope

We have completed an audit of the Department of Education, Renaissance Schools for the period July 1, 2015 to October 2, 2018. Our audit included a review of the department's compliance with applicable provisions of the Urban Hope Act (Act) and a review of renaissance schools for compliance with selected statutory and regulatory requirements. A separate report that included compliance with provisions of the Act applicable to the City of Camden School District (www.njleg.state.nj.us/legislativepub/auditor/341017.pdf) was issued on January 15, 2019.

Renaissance schools were created through the Act. They are a hybrid of district and charter schools because they have the operational autonomy of charter schools, but draw students from an established attendance area similar to district schools.

During our audit period, three renaissance school projects operated at multiple locations throughout the City of Camden School District. The renaissance school project operators' total combined general and special revenue fund expenditures, per their annual audited financial statements, were \$42.6 million and \$55.9 million in fiscal years 2016 and 2017, respectively.

Objectives

The objectives of our audit were to determine if the department complied with applicable provisions of the Act and provided adequate oversight over renaissance schools. Additionally, we reviewed that renaissance schools were complying with statutory and regulatory requirements; including criminal history background checks, employee certifications, and student enrollment.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution, Title 52 of the New Jersey Statutes, and Title 18A:7F-6(d), the "Comprehensive Education Improvement and Financing Act of 1996".

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the Department of Education. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our audit tests. We also read the renaissance schools' annual reports, their audited financial statements, and minutes of their boards of trustees to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and items were judgmentally selected for testing.

Conclusions

We determined the department complied with applicable provisions of the Act; however, department oversight was inadequate to identify noncompliance by renaissance schools with statutory and regulatory requirements. We found noncompliance with laws and regulations by the renaissance schools with regard to criminal history background checks, employee certifications, student enrollment, and website posting of board meeting information.

Background

The Urban Hope Act (Act) was enacted in 2012 to allow a small number of school districts with high concentrations of at-risk students to, on a limited pilot program basis, partner with one or more nonprofit entities, on renaissance school projects, to create renaissance schools. These districts, defined as failing districts according to statewide assessment reports, qualified to become renaissance school districts. The City of Camden School District was the only qualifying district that elected to partner with nonprofit entities and create renaissance schools.

The Act defined a renaissance school project as a newly-constructed school or group of schools in a common campus setting. The renaissance school projects would be operated and managed by nonprofit entities and primarily enroll students residing in an established attendance area. The nonprofit entities for these schools were to be paid by the renaissance school district an amount per pupil equal to 95 percent of the district's per pupil expenditure, which was defined as the sum of the budget year equalization aid per pupil, budget year adjustment aid per pupil, and pre-budget year tax levy per pupil inflated by the most recent Consumer Price Index (CPI).

Several amendments have been made to the Act since it was first enacted. In 2013, the definition of renaissance school project was revised to allow schools to be located in an urban campus area rather than a common campus setting. This allowed renaissance schools to be located within a one-and-a-half-mile radius of their initial facility, except that a high school could be located within a two-mile radius. In 2014, the Act was amended to allow renaissance school projects to utilize existing facilities that have undergone substantial reconstruction in addition to newly-constructed facilities. Another provision was added to the Act to allow for a renaissance school to be located in a temporary facility pending completion of a newly-constructed or substantially-reconstructed facility. Temporary facilities can be used for a maximum of three years and shall be funded at the New Jersey charter school rate, which is 90 percent of the sum of the budget year equalization aid per pupil and the pre-budget year general fund tax levy per pupil inflated by the most recent CPI.

In 2018, revisions to the administrative code for renaissance schools clarified the definition of a renaissance school project, such that a school, or group of schools, shall be deemed newly-

constructed or substantially-reconstructed if it was constructed or underwent substantial reconstruction within five years immediately prior to the renaissance school project taking control of the facilities. The revised administrative code also defined substantial reconstruction as renovations that reflect a total development budget equal to at least 50 percent of the appraised fair market value of the property.

Renaissance Schools Oversight

The department has not provided adequate oversight to ensure renaissance schools complied with applicable state laws and regulations.

In accordance with the Act, renaissance school projects are authorized for a period of ten years from the date of opening. Every ten years, the Commissioner of Education (commissioner) shall conduct a comprehensive review of a renaissance school project prior to granting a renewal. The commissioner shall periodically assess whether each renaissance school project is meeting its goals and improving student achievement and shall have ongoing access to the records and facilities of the renaissance school project to ensure compliance with state laws and regulations. Since the comprehensive review is conducted only once every ten years, it is imperative that the department, in the interim, provide adequate oversight to ensure renaissance school projects are operating as intended, meeting their goals, and complying with state laws and regulations.

The department's current oversight process provides limited assurances that renaissance school projects are meeting their goals and are complying with state laws and regulations. During the spring of 2016, the department conducted half-day, preannounced site visits to one location for each of the three renaissance school projects to satisfy an administrative code requirement that it conduct a periodic review once every two years. At that time, one renaissance school project had multiple locations, and currently all three have more than one location. Revisions to the administrative code relaxed this requirement in 2018, leaving the required timeframe for periodic review undefined. The department currently relies on self-reported, unverified information in the renaissance school projects' annual reports to guide its periodic review and has not conducted site visits since 2016.

We reviewed renaissance school projects for compliance with selected statutory and regulatory requirements and identified noncompliance in the following areas.

Criminal History Background Checks

The department did not ensure renaissance schools complied with statutory requirements for criminal history background checks. According to N.J.S.A. 18A:6-7.1, all employees of a school or school system under the department's supervision, whose job duties include regular contact with pupils, must pass a criminal history background check as a condition of employment.

We obtained, from the department, lists of individuals cleared to work for the renaissance schools as of May 2018. We compared these lists to all renaissance school employees with wages between July 1, 2015 and December 31, 2017 per Department of Labor and Workforce Development (LWD) records, and found that the renaissance schools failed to ensure the proper background check process was completed for 244 of 798 individuals prior to employment. Our review of these 244 individuals noted the following.

- 108 were approved to work at other school districts; however, the renaissance school would not have been notified if they were subsequently charged with a disqualifying offense.
- 102 were not approved to work in the renaissance schools until after their employment began.
- 28 did not have a background check performed at all for any school district in New Jersey.
- 5 were disqualified and should not have been employed by any school. These individuals were employed at renaissance schools for periods of time ranging from 15 to 184 days before separation.
- An individual needed to be fingerprinted again to complete the process.

Our review also included members of the renaissance schools' boards of trustees. Per N.J.S.A. 18A:36A-11.1(b), members of a board of trustees shall undergo a criminal history background check within 30 days of appointment to that board. We found that 9 of 20 board members during our audit period did not undergo criminal history background checks for the renaissance school at which they served.

The renaissance schools' failure to complete proper criminal history background checks and the department's failure to identify this noncompliance can put children at risk and result in potential liability for renaissance schools and the state. The renaissance schools and the department have been notified of all instances we found so that corrective action can be initiated, as warranted.

Employee Certification

We reviewed LWD wage information, department records, and renaissance school staff rosters from the 2017-18 school year to determine if employees held the appropriate New Jersey certification for their job title in accordance with N.J.A.C. 6A:9B. A provisional or standard certificate is required in order to be employed in a school. A Certificate of Eligibility (CE) or Certificate of Eligibility with Advanced Standing (CEAS) only authorizes an individual to seek and accept employment. Once hired, it is the responsibility of the employing school to register the individual in a provisional program.

We identified 342 employees in positions requiring certification and found 89 did not hold the appropriate New Jersey certificate for their position. This included 74 teachers, 4 substitute teachers, 3 principals, 3 social workers, and 5 in other job titles requiring certification. A total of 65 of these individuals did not hold a New Jersey certificate; 23 only held either a CE, CEAS, or expired provisional certificate; and an individual employed as a principal only held a standard elementary school teaching certificate. All instances were shared with the renaissance schools so that corrective action can be taken.

Enrollment Process

Per the Act, renaissance schools built on land owned by the renaissance school district or the New Jersey Schools Development Authority (SDA) shall automatically enroll all students residing in the established attendance area for that property. All renaissance school projects participated in a centralized enrollment system which was initially implemented by the City of Camden School District, and later transferred to a nonprofit organization in August 2017. In our separate audit report of the City of Camden School District issued on January 15, 2019, we found that the centralized enrollment system did not comply with the provision of the Act regarding automatic enrollment of students residing in the attendance area. The failure to comply with this provision had the effect of limiting the participation of neighborhood students at their renaissance school.

Board of Trustee Meetings

N.J.A.C. 6A:31-7.3(b) requires the board of trustees of a renaissance school project to post a copy of all meeting notices and meeting minutes on the renaissance school project's website. This requirement became effective in January 2018. In July 2018, we reviewed the renaissance school projects' websites for this information and found that two of three did not post their upcoming meetings, and two of three did not post copies of meeting minutes. After notifying the department that this information was missing from the website, we reviewed the websites again in October 2018, and one renaissance school project still did not have this information available on its website. We further noted that this renaissance school project regularly holds its board meetings on a weekday during normal business hours. Attendance at these meetings should be encouraged as they provide a forum for members of the public to become informed and to voice concerns before the board.

Recommendation

We recommend the department strengthen its oversight procedures for renaissance schools by verifying the accuracy of information contained in the renaissance school projects' annual reports. The department should also specify a timeframe for conducting periodic reviews. Site visits should be unannounced, include a review of the renaissance schools' records for compliance with laws and regulations, and not limit site visits to only one facility per renaissance school project. We also recommend the department actively monitor renaissance school projects to ensure compliance with statutory requirements for criminal history background checks, employee certifications, and automatic enrollment of neighborhood students in renaissance schools. The department should ensure that board meeting notices and minutes are posted to the renaissance school projects' websites as required by the administrative code.

