

CHARTER SCHOOL ACCOUNTABILITY COMMITTEE

DELAWARE DEPARTMENT OF EDUCATION



REACH ACADEMY FOR GIRLS

PRELIMINARY REPORT AND RECOMMENDATIONS

FORMAL REVIEW OF THE CHARTER

OPENING DATE: August, 2010

GRADES: K-8

LOCATION: New Castle County

SEPTEMBER 30, 2010 UNIT COUNT: 221

DATE OF REPORT: February 25, 2011

BACKGROUND

The charter for Reach Academy for Girls ("Reach Academy") was approved in April 2009. On June 16, 2009, the school's Board of Directors submitted an Application to Modify the school's charter, seeking approval to change the location of the school and the school's site plan. The Secretary of Education referred the application to the Charter School Accountability Committee for review and recommendations. The Charter School Accountability Committee issued its report on the application and a public hearing on the application was conducted on August 18, 2009. The Secretary, after reviewing the documents and the report of the Charter School Accountability Committee, recommended that the State Board approve the modification request (with conditions) for Reach Academy for Girls to modify its location to a site with a more conducive learning environment. On August 20, 2009, The State Board of Education approved the Secretary's recommendation.

Reach Academy opened in August 2010. In September 2010, the Charter School Office received phone calls from Reach Academy employees who had not received pay and/or had not been enrolled in health benefit plans for which they were eligible.

In October 2010, the Charter School Office continued to receive calls from current and former Reach Academy staff regarding payroll issues and other problems with the school. The Charter School Office also received complaints from parents about the school.

On October 7, 2010, the Charter School Office met with Reach Academy's board of directors and administration to discuss the parent complaints and payroll issues and explore potential corrective actions. As a follow up to this meeting, the Charter School Office requested a revised budget to gain a better picture of the schools financial viability.

On October 22, 2010, Reach Academy's board of directors submitted a revised budget which raised serious concerns about the school's economic viability. The school's initial budget projections were based on an estimated unit count that was much higher than the school's actual student enrollment, resulting in a significant budget shortfall and deep budget reductions. The board of directors laid off eight (8) teachers to reduce payroll. In addition, proposed budget reductions were based on renegotiated contracts (e.g. rent, transportation) that had not been approved by the vendors. The Charter School Office was not confident that Reach Academy could make it through the year financially based on the pace of their initial spending. In addition, the board of directors did not submit sufficient evidence to validate the revised budget.

On November 18, 2010 the charter of Reach Academy was placed on Formal Review.

The committee met on December 7th, 2010 to draft a preliminary report and focused on the following four criteria contained in 14 Delaware Code, Section 512:

Criterion Specified in 14 Delaware Code, Section 512:

1) The individuals and entities submitting the application are experienced and qualified to start and operate a charter school, and to implement the school's proposed educational program. Certified teachers, parents and members of the community in which the school is to be located must be involved in the development of the proposed charter school. At the time at which the school commences its instructional program and at all times thereafter, the board of directors must include a teacher at the school and a parent of a student enrolled at the school as members.

A charter school board of directors fully exercises its fiduciary responsibilities by establishing and implementing board-level policies and governance practices that are transparent and focused on achieving the school's mission, preserving institutional integrity, and ensuring the long-term viability of school operations. Actions by Reach Academy's board of directors have raised concerns about its

experience and qualifications to operate the school and implement the school's proposed educational program.

Overseeing the school's finances is one of the core responsibilities of a charter school board. As with traditional public schools, charter schools receive funding based on the number of students attending the school. The state provided training on school finance and guidance on the board's fiduciary responsibilities. Despite this training and guidance, the board's budget projections were based on an estimated unit count that was much higher than the school's actual enrollment, resulting in a significant budget shortfall and budget cuts. Due to these issues, the Charter School Office met with Reach Academy's board in early October to address concerns regarding the long-term viability of the school. As a follow up to this meeting, the Charter School Office requested a revised budget to gain a clearer picture of the school's financial position. Although, the revised budget submitted by the board included significant budget cuts to address the budget shortfall, it did not include the requisite supporting documentation. For example, the school did not include a signed amended contract with the school bus contractor that confirmed the lower payments reflected in the revised budget. In addition, the board did not submit a signed amended lease to confirm the lower rent payments reflected in the revised budget. The Board indicated that the Charter School Office would receive a signed amended lease before November 25, 2010, but to date, it has not been submitted to the Charter School Office. Consequently, the revised budget only served to raise more questions and concerns about the school's economic viability which led to the Department of Education's recommendation to the State Board of Education that Reach Academy be placed on Formal Review. These missteps by the board of directors raised deep concerns about its ability to operate the school.

Next to setting and supporting Reach Academy's mission, selecting the school's management is a decision that that will have the greatest impact on a charter school's success. Reach Academy has had three (3) principals/school leaders in a very short period of time – less than a year. Mr. Brown (Board Secretary) confirmed that the school has had three school leaders since May 2010. The school reported that Tara Allen is presently the interim school leader and officially assumed that role on November 1, 2010. Mr. Cruce asked if Ms. Allen is working under a signed contract; she stated that she did sign a contract before becoming the school leader.

Mr. Cruce asked the school to detail the occurrences that led to the numerous changes in school leadership. Mr. Brown explained that prior to April 2010, multiple board members including Edith Moyer, Mary Ford and Anthony White performed the function of school leader. In April 2010, the board of directors hired Elaine Leonard who was in this position from late April or early May 2010 through June 2010. Mr. Taylor (Board Treasurer) explained that Ms. Leonard did not sign a contract even though she was officially serving in the role of school leader and resigned due to feeling overwhelmed with the responsibilities of the position. Mr. Taylor reported that she was paid in full and never served as a member of the board of directors.

After Elaine Leonard's departure, the school designated a school board member, Mary Ford, as the school leader. Mr. White indicated that Ms. Ford stepped down from the board and filled this position from June 2010 through October 31, 2010. On November 1, 2010, Tara Allen assumed the school leader position. She was previously the Dean of Students and continues to perform that role as well. Mr. White added that Ms. Ford is currently assisting Ms. Allen during the transition and both have been involved since the school's creation. Mr. Brown indicated that the board of directors was aware of the concerns regarding the school's multiple leadership changes. A summary of the school's leadership transitions appears below:

- April 2009 – April 2010: No school leader
- April 2010 – June 2010: 1st school leader (Elaine Leonard)
- June 2010 – October 2010: 2nd school leader (Mary Ford)
- November 2010 – Present: 3rd school leader (Tara Allen)

Mr. Cruce asked why the board of directors chose its directors to fill this role. Mr. Taylor explained that with the impending opening of their first academic year, they had no time to do a major search. The board did not maximize the planning year afforded to every newly approved charter school to plan for its opening, which includes undertaking a careful search process to find the most qualified individual to lead the school.

In October, following the September 30 unit count, the school realized lower than anticipated enrollment due to several students transfers out of Reach Academy. Mr. Taylor noted that the board of directors realized this would create funding issues as well. The board discovered that there would not be adequate resources to fund a school leader, which was the reason Ms. Ford stepped down.

Mr. Cruce asked the school to describe the steps being taken to find a new permanent school leader. Mr. White said that although they are not actively searching at this time, they plan to use Innovative Schools when they do eventually begin the process. The plan is for Ms. Allen to remain as school leader through the current academic year.

The board's inadequate preparation for the successful launch of the school demonstrated a lack of leadership and experience to operate a charter school. In addition, the board failed to effectively oversee the school's finances, allocate its resources effectively nor adopt policies that maximize the likelihood that the school's mission would be fully realized. At this point, the Delaware Department of Education does not have confidence in Reach Academy's board of directors to finish the year solvent. Furthermore, such weaknesses in governance could undermine the schools' ability to achieve its educational objectives and jeopardize the interests of state taxpayers whose dollars fund charter schools.

The committee recommends to the Secretary criterion 1 is not met.

6) The school's educational program, including curriculum and instructional strategies, has the potential to improve student performance; and must be aligned to meet the Delaware Content Standards and state program requirements, and in the case of a charter high school, state graduation requirements. High school programs must provide driver education. The educational program at all charter schools must include the provision by the school of extra instructional time for at-risk students, summer school and other services required to be provided by school districts pursuant to the provisions of § 153 of this title. A previously approved charter school may continue to operate in compliance with the terms of its current approval, but its charter shall not be renewed unless the school shall submit an application for renewal in full compliance with the requirements of this subsection.

Ms. Hansen stated that the educational curriculum submitted with the school's original charter application was approved. However, given the significant budget cuts the board of directors instituted to address the budget shortfall the committee raised concerns about fidelity of implementation. The Charter School Office has received complaints from parents as well as current and/or former teachers regarding significant changes the board of directors have made to the educational program to address the budget shortfall. Ms. Hansen noted that the Charter School Accountability Committee approved a plan (scope and sequence) and cautioned the board of directors to be mindful of that plan when making budget cuts to maintain fidelity to the approved original charter.

Mr. Carwell shared that a parent reported to the Charter School Office that her daughter's speech therapy needs were not being provided by the school despite numerous calls to the school since the beginning of the school year. Ms. Allen responded that there was an issue with receiving the student's records from the student's previous school. She also acknowledged that this had been an oversight. However, she added that when she became the school leader in November, she took immediate action to obtain the records. Mr. White indicated that the board was not aware of this issue prior to November, 2010. He added that the school is beginning its process to acquire the necessary therapy services for this particular

student. Mr. Brown also stated that as soon as the board became aware of this problem, they began pursuing a resolution to the matter.

Ms. Hansen raised questions concerning visual & performing arts classes, which are required content areas. The Charter School Office learned that the board of directors laid off Reach Academy's arts teachers due to the budget shortfall. It was not clear how Reach Academy was addressing the state's content standards in these areas. The board of directors indicated that visual and performing arts classes have been reinstated. Ms. Hansen commented that this part of the criterion appears to have been satisfied.

Mr. Kessell asked the school to report which courses were eliminated from the curriculum due to the budget deficit. The school indicated that culinary arts, mass media, art and music had been dropped due to the budget shortfall. However, they have since restored music and art, and have added physical education and foreign language to the curriculum. Mr. Kessel also noted that the budget did not appear to include enough funding to support instruction (professional development, books and materials, etc.) Ms. Hansen noted that funding for professional development was missing in the revised budget. It should have been included in the original budget. Mr. Taylor indicated that some staff development is booked under Travel (\$6,000). He acknowledged that some funds have been misallocated.

Based on the budget cuts, a review of the current curriculum is required to determine fidelity of implementation.

The committee recommends to the Secretary that this criterion be considered not met.

8) The plan for the school is economically viable, based on a review of the school's proposed budget of projected revenues and expenditures for the first 3 years, the plan for starting the school, and the major contracts planned for equipment and services, leases, improvements, purchases of real property and insurance.

Mr. Kessel stated that the school's budget was based on an estimated unit count that was much higher than the school's actual enrollment, resulting in a budget shortfall and considerable budget cuts. Since the beginning of the school year, September 1, 2010, the board of directors has released eight (8) teachers in an effort to reduce the payroll. This is a significant concern to the Charter School Office. Currently there are fourteen (14) teachers at the school. This includes the instructors for specials/electives: Physical Education, Technology, Art, Music, and Finance.

Mr. Kessel asked the school to explain a \$40,000 budget cut in the category "other" in the most recently submitted revised budget. Mr. Taylor stated that the original budget was prepared before they had Object Codes and once they received the codes, they didn't match up with their figures. The \$40,000 was re-allocated, but he could not provide further information.

Mr. Taylor explained that student attrition led to funding problems. Most of the students who left resided on the "fringes" in areas such as Smyrna and Middletown. Mr. Taylor added that there were reliability issues with the bus contractor (Advanced Student Transportation). As a result, many parents of these students were unhappy that their children were spending 1-2 hours on the bus each day.

Mr. Cruce asked the board to identify who is in charge of day to day finances. Mr. Taylor replied that both he and Ms. Allen share that responsibility. Ms. Harris asked who has the responsibility of final approver in the First State Financial System (FSF). Mr. White replied the he is the final approver. Ms. Harris commented that typically the final approver is not a member of the board, but instead a school leader. Mr. Taylor stated that he serves as treasurer and he utilizes Innovative Schools to process invoices and payroll.

Mr. Kessell asked the school to address their nursing situation. Ms. Allen explained that initially they had two (2) part-time nurses who split the week and currently have one full-time nurse who works five (5) days per week.

Mr. Kessell asked if the amount in the budget is enough to cover expenses relating to Innovative Schools Development Corporation (ISDC). Mr. Taylor responded that funds will be reallocated from salaries to pay ISDC. There will be no more cuts; the funds will come from surplus.

The discussion turned to psychology services. Ms. Allen reported that currently, Reach Academy does not have a psychologist available to the students. The school is currently conducting a search to hire a school psychologist. Concerns were raised about students who have Individualized Educational Plans (IEP) in place yet are not receiving services. Ms. Jones indicated that the \$8,000 allocated for psychological and speech therapy services seemed low. Ms. Allen indicated that a contract was recently signed for speech services. Mr. Taylor confirmed that the school did not provide speech services since the school year began.

The topic of rent was raised. Mr. Taylor explained that the current rent payments being made are based upon what is budgeted for rent, not according to the lease. Mr. Brown added that the actual figure for rent is still being negotiated. The school is currently paying a lower amount than was agreed upon, but the landlord is accepting the lower amount for the time being. Mr. White stated that he signs the check for UER to the landlord for rent, and Mr. Taylor is the final approver. Ms. Coffield asked if UER is receiving a markup on the rent. Mr. Brown indicated that initially, UER attached a fee to the rent, but it was cancelled to address the budget shortfall.

Mr. Kessel inquired as to whether or not a contract for bus transportation had been signed and provided to the Charter School Office. Mr. Carwell stated that the Charter School Office had received a bus contract from Reach Academy, but it was not a signed contract. Therefore, it was not deemed valid.

Mr. Taylor listed several sources of funding that they anticipated receiving in the near future from the federal government in the form of consolidated grants. Mr. Kessel warned that those funds are restricted and may not be used for certain items. Mr. Taylor relayed that Mr. White and Ms. Ford wrote the application for the consolidated grant.

Ms. Harris noted that the budget did not include any allocations for legal services or an auditor. Mr. Taylor indicated that an audit would not be performed this year. Mr. Taylor noted that he looks at a budget as a plan, not actuality. He divulged that the school built a 2% contingency into the budget for unforeseen occurrences.

Based on the pace of the board's initial spending the Charter School Office is not confident that the board can effectively manage the assets of Reach Academy and assure its economic viability for the remainder of this academic year. The budget is very thin on the operational side. In addition, since significant budget revisions have not been substantiated, the board's efforts have only raised more questions and concerns. To date the board has provided little evidence that Reach Academy is economically viable.

The committee recommends to the Secretary criterion 8 is not met.

9) The school's financial and administrative operations meet or exceed the same standards, procedures and requirements as a school district. If a charter school proposes to operate outside the State's pension and/or benefits systems, a specific memorandum of understanding shall be developed and executed by the charter school, the approving authority, the Budget Director, the Controller General and the Secretary of Finance to assure that the State's fiduciary duties and interests in the proper use of appropriated funds and as a benefits and pension trustee are fulfilled and protected, the State's financial reporting requirements are satisfied, and the interests of charter school employees are protected. All charter schools shall operate within the Delaware

Financial Management System (DFMS) and be subject to all of the same policies and procedures which govern other agencies operating within such system, except that any charter school previously approved to operate outside of the DFMS may continue to so operate subject to the terms of its memorandum of understanding until such time as the school's charter is renewed pursuant to this chapter.

Despite the planning year afforded by the state, the board failed to adequately prepare for the successful launch of the school. In September 2010, the Charter School Office learned from Reach Academy staff that the board was failing to follow basic human resource practices. The board hired staff without formal employment letters, including its first school leader, Elaine Leonard. In addition, several Reach employees indicated that they did not know their salaries (since they were not provided formal employment letters), had not been paid and/or had not been enrolled in health benefit plans for which they were eligible. The Charter School Office had to step in and work with Reach Academy's human resources contractor (Innovative Schools) and the Statewide Benefits Office to ensure that employees received their paychecks and eligible employees were enrolled in health benefit plans. It is rare for the Charter School Office to micromanage a charter school in this way. The board of directors failed to protect the interests of charter school employees.

Mr. Cruce informed the school that the Delaware Department of Education received numerous complaints about the school's hiring process and asked if any relatives of the school board are on the payroll. Mr. White acknowledged that his wife provided human resource services for one month as a full-time employee. She was paid approximately \$1,500 to \$2,000 to assist with the backlog of incomplete teacher contracts. Initially, she was a member of the board of directors, but stepped down to accept the position of a full-time employee. She has since returned to the board of directors.

It is important for the board to perform thorough due diligence as new contractual relationships are considered to avoid conflicts or the appearance of conflicts. It is also critically important for the board to understand the interests and relationships of potential new board member nominees prior to nominating them.

Mr. Cruce asked the school to explain its relationship with Universal Educational Resources (UER). Mr. Brown stated that UER was formed to provide a level of separation between the school and the landlord (Holy Rosary of Parish). Reach Academy is not listed on the lease since there were issues raised about a state-funded school contracting with a religious organization. Mr. Brown revealed that Reach Academy's budget included a fee to be paid to UER, but the school had no funds available for this expense due to the budget shortfall. However, some funds have already been paid to UER from Reach Academy. Mr. White added that the board of directors had considered using UER to help them with human resource and payroll services. He added that UER is a startup corporation that was established before the school received its charter. The initial intention was for UER to handle daily human resource and payroll functions. Mr. Brown indicated that UER served as protection pass through and provided some back office support to Reach Academy. Mr. Cruce requested clarity regarding the nature of the services UER provided. Mr. Taylor indicated management services. The Committee expressed concerns about this arrangement given that members of the Reach Academy board of directors are also members of the UER board of directors.

The committee recommends to the Secretary criterion 9 is not met.

RECOMMENDATIONS

The committee is requesting more information about certain issues raised during the meeting.

The Charter School Accountability Committee recommended that Reach Academy for Girls remain on probation until all issues raised are remedied to the satisfaction of the Charter School Accountability Committee. Reach Academy shall provide written responses to the questions below as well as the

documentation listed below by March 21, 2011. If all information below is not received by the aforementioned date, the Charter School Accountability Committee shall vet a recommendation for charter revocation.

Questions and Required Documentation

1. Copies of all contracts (signed and dated) with outside contractors & consultants
 - a. Including a list of deliverables and timelines for those deliverables the contractors were to produce.
 - b. Including, but not limited to, the Universal Education Resources, LLC (UER). contract
 - c. Innovative Schools Development Corporation
 - d. Signed bus contract.
 - e. Signed lease for school building.
2. Articles of Incorporation for Universal Education Resources, LLC.
3. Employment contracts (signed and dated) for each of the three school leaders.
4. Detailed information (signed and dated employment contract, etc.) for the Reach Board President's wife's employment with Reach.
5. Updated revised budget with misallocations corrected (e.g. staff development allocated under travel).
6. Board by-laws. If revised, kindly include a copy of the original.
7. Reach Board policy on conflict of interest
8. Reach Board policy on appointment to Board process
9. Reach Board policy on board members receiving compensation.

In addition to the above, for all submissions of contracts & documents, the board of directors should include a cover letter (no more than one page) for each contract or document explaining the contract/deliverable, its purpose and from where in the budget the contract was paid.