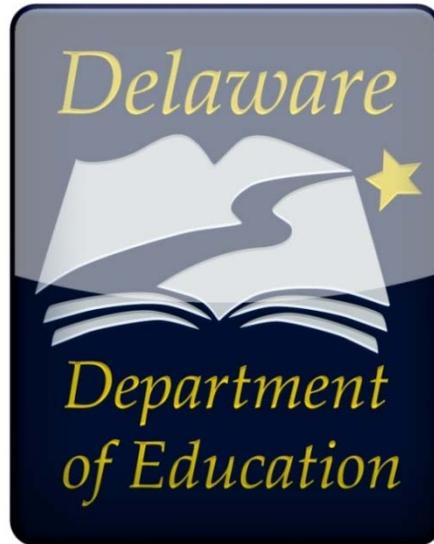


# CHARTER SCHOOL ACCOUNTABILITY COMMITTEE

DELAWARE DEPARTMENT OF EDUCATION



## Family Foundations Academy

**FORMAL REVIEW  
INITIAL REPORT**

CSAC Initial Meeting: February 5, 2015  
CSAC Initial Report Published: February 9, 2015

The following were in attendance at the Initial Meeting of the CSAC on February 5, 2015:

**Voting Committee Members of the Charter School Accountability Committee**

- David Blowman, Chairperson of the Charter School Accountability Committee and Deputy Secretary of Education, DDOE
- Karen Field Rogers, Associate Secretary, Financial Reform and Resource Management, DDOE
- April McCrae, Education Associate, Science Assessment and STEM, DDOE
- Barbara Mazza, Education Associate, Exceptional Children Resources, DDOE
- Tasha Cannon, Deputy Officer Talent Recruitment, Selection and Strategy, Teacher and Leader Effectiveness Unit (TLEU), DDOE
- Deborah Wilson, President and CEO, Metropolitan Wilmington Urban League, Community Member

**Ex-Officio Members (Non-voting)**

- Kendall Massett, Executive Director, Delaware Charter School Network
- Donna Johnson, Executive Director, Delaware State Board of Education

**Staff to the Committee (Non-voting)**

- Catherine Hickey, Deputy Attorney General, Counsel to the Committee
- Jennifer Nagourney, Executive Director, Charter School Office, DDOE
- John Carwell, Education Associate, Charter School Office, DDOE
- Michelle Whalen, Education Associate, Charter School Office, DDOE
- Brook Hughes, Education Associate, Financial Reform and Resource Management

**Representatives of Family Foundations Academy**

- Charles S. McDowell, Board President
- Thomas C. Humphrey, Board Treasurer
- Dr. Lamont Browne, Executive Director
- Nicholas Medaglio, Director of Finance and Operations
- Karlee Reffuge, Teacher
- Rachel Valentin, Delaware Leadership Project Resident

**Additional Attendees Noted**

- State Representative Kim Williams

## Discussion

Mr. Blowman noted that the grounds for the formal review are outlined in a letter to the Family Foundations Academy (“FFA”) Board, dated January 21, 2015, which include the following potential violations of the law and charter:

- Board capacity;
- Board oversight and potential conflicts of interest;
- Financial operations;
- Financial viability;
- Administrative operations;
- Material fraud on the Department by the school or its representatives;
- Misappropriation of federal, state, and local funds.

Additionally, Mr. Blowman noted there were sudden and significant changes to FFA’s Board and leadership, which raise concerns about the continuity of FFA’s academic program’s success and approved school policies, including FFA’s:

- Mission;
- Student performance education plan;
- Curriculum;
- Implementation of appropriate strategies to accommodate the needs of at-risk students and those needing special education services; and
- Student discipline plan.

Mr. Blowman noted that FFA submitted an update to the Department on January 30, 2015 regarding specific conditions on its charter renewal and the specific areas of concern noted in the January 21<sup>st</sup> letter.

### How the new FFA Board will operate both EastSide Charter and Family Foundations

Mr. McDowell stated that FFA’s Board now consists of seven persons, four of whom are on the Boards of both FFA and EastSide Charter School (“EastSide”). He noted that EastSide’s Board has 15 other members. He stated that the FFA Board is only operating FFA, and not both schools. With respect to the composition of FFA’s Board, he stated that two prior Board members have resigned and two remain. Of the two that remain, the parent representative will be replaced as soon as a replacement is elected. Mr. McDowell reported that a committee has conducted interviews and selected a new parent representative to be nominated to the Board and voted upon next Tuesday (February 10, 2015). He stated that the other carryover member will remain on the Board to promote an orderly transition. Mr. McDowell stated that he believes it would be advantageous for each of those individuals to remain on the Board through the litigation with the two former co-directors. He stated that, when each of the EastSide Board

members are operating on the FFA Board, their total fiduciary obligation is to FFA. The CSAC had no questions.

Identification and responsibilities of the individuals or team who will operate FFA on a daily basis including who will serve as the Head of School and Business Manager

Dr. Browne noted that he previously served as EastSide's Head of School, but is now the Executive Director of both EastSide and FFA. He stated that a former EastSide lower school Assistant Principal has been promoted to the Acting Principal of the school and is running the day-to-day operations of EastSide with Dr. Browne's support and supervision. At FFA, the leadership team includes an elementary school Director of Curriculum and Instruction, a middle school Director of Curriculum and Instruction, and a Director of Climate overseeing both campuses, all of whom operate under Dr. Browne's support and supervision. He stated that there are also some EastSide employees supporting FFA (i.e. Special Education and Technology). He identified Nicholas Medaglio as the former Director of Operations at EastSide and current Director of Finance and Operations for both schools. Ms. Field Rogers asked when the schools anticipate complete segregation of duties between the employees serving each school. Mr. Medaglio stated that it is expected by the end of February or beginning of March.

Ms. Johnson asked for clarification regarding how the salary schedule is established, given that several individuals are splitting their time between EastSide and FFA. Dr. Browne replied that salaries are being paid to those individuals by EastSide, but FFA is paying a monthly proportionate share of salaries and stipends to EastSide through a consulting agreement. Mr. McDowell added that the amount paid to EastSide through the consulting agreement is more than offset by the amounts saved by the terminations of FFA's two former Co-Directors, two outside consulting agreements for leadership training, and other administrative positions. He stated that the arrangement has resulted in a net financial benefit to both FFA and EastSide.

Ms. Johnson asked whether FFA has identified any other shared expenses. Dr. Browne replied that there are two phases: finishing out this year strong and a plan moving forward. He stated that the staffing changes and support are for this year. Moving forward, the plan is to hire a Principal for FFA's elementary and middle schools and to combine for more resources. For example, a School Psychologist, two Counselors for FFA, and a Director of Academics to support all three buildings (EastSide, FFA's elementary school, and FFA's middle school). He stated that, with the plan, EastSide's budget would decrease approximately \$40,000 and FFA would add five new positions with only a \$70,000 increase. He added that EastSide, FFA, and Kuumba are in the process of submitting a grant application to the Department for the Amplify interim assessment.

Mr. Blowman asked for clarification regarding who was terminated, aside from the two Co-Directors. Dr. Browne responded that FFA's Directors of Academics and Culture are still in their respective positions, but with more leadership responsibilities and leadership support. He stated that the plan is for them to remain in those positions for the remainder of this school year, but to have dedicated Principals at the elementary and middle schools beginning in July.

Ms. Hickey asked for clarification regarding the school's mention of outside contracts providing leadership training. Dr. Browne replied that, in addition to the terminated positions, there were two unnecessary leadership training contracts that were terminated. He stated that, the money spent on those contracts, in addition to the personnel savings, provide for a net gain to the school.

Ms. McCrae asked whether Dr. Browne's proposed position as leader of both schools is a permanent fix or temporary arrangement. Dr. Browne replied that the entire consulting agreement is an 18-month commitment. He stated that, at this point, there is no plan thereafter.

Roles and Responsibilities of Dr. Lamont Browne as to both FFA and EastSide Charter, including addressing potential violations of 29 Del. C. Ch. 58

Mr. Blowman stated that most of the issues regarding this condition had already been discussed, except for the issue regarding potential conflicts of interest. Mr. McDowell replied that the statute that is referred to is the State Employees, Officers and Officials Code of Conduct. He stated that, coincidentally, he chaired the Delaware Bar Association Committee that authored the Code of Conduct. He stated that the Code of Conduct deals with the issue of state employees taking advantage of their position as an employee of one state agency and somehow using it to their advantage in another state agency. He stated that he believed the concern to be related to the possibility that an employee would receive a paycheck from two organizations, which is not happening. He stated that he does not believe that the statute applies.

Ms. Hickey noted that the Department is still looking at the consulting agreement to determine whether it fits within EastSide's charter and regulatory provisions. With respect to the Code of Conduct, she stated that it would be wise for FFA to seek an opinion from the Public Integrity Commission. She noted that Dr. Browne's position is different than that of a school district Superintendent due to the separate boards and management, among other things. She stated that, if an opinion is not issued before the end of the formal review process, it could be addressed through conditions.

Ms. McCrae asked for clarification regarding the 18-month plan, noting that the fate of two schools is involved. Mr. Blowman stated that, without speculating, he could foresee a major modification application from one or both schools well in advance, and hopefully before the end of 18-month period. He stated that he believed that the current situation is a transition plan. Mr. McDowell added that, moving forward, FFA's Board hopes to work with the Department to help satisfy its concerns. Ms. Nagourney noted that, given that this is the first time a leadership structure of this type has been attempted in Delaware, it will be a learning process for everyone and is important to remain mindful of statutes and regulations.

Board Capacity

Mr. McDowell stated that four of the seven Board members are also EastSide Board members and have been for a number of years. He added that, with Dr. Browne as FFA's leader, there is no question about capacity.

Ms. Field Rogers asked for clarification regarding when the school anticipates that its Citizen Budget Oversight Committee (CBOC) structure will be brought into compliance. Mr. Humphrey noted that, at the first meeting, the Board received approval for its new policy. He stated that FFA set up an interim CBOC with a few carryover members from the previous CBOC. He stated that selection of the committee has been completed. He stated that the expectation is that the first meeting will occur in March 2015 and then quarterly thereafter.

#### Board Oversight and Potential Conflicts of Interest

Mr. Blowman noted that some of the areas of concern had already been discussed. Mr. McDowell stated that FFA had consulted with corporate law counsel regarding the issue of potential conflicts of interest surrounding EastSide Board members' service on FFA's Board. Specifically, FFA's Board sought advice regarding the issue of the consulting agreement. He stated that FFA was advised that, under Delaware law, a board member is not required to recuse himself unless there is a material personal financial interest. He stated that, to his knowledge, only an employee or contractor of EastSide would have a personal financial interest, which none of FFA's Board members are. However, out of abundance of caution, the Board has charged the three Board members who are not at all affiliated with EastSide to provide a recommendation regarding the consulting agreement. He stated that those individuals concluded that the consulting agreement is in the best interest of FFA. He added that the agreement will come before the Board at the next meeting (February 10, 2015).

#### Financial Operations

Mr. Medaglio stated that the first review task was to look at security access and restrict or grant access in a way that paves the way for future segregation. Currently, only Mr. Medaglio and Dr. Browne are final approvers, but there will be no P-Card authorization until past P-Card issues are reconciled. Mr. Medaglio stated that the next step is to ensure that the proper policies and procedures are in place. One immediate concern is cash receipts coming in from Before-and-After Care, as well as Summer School. He stated that FFA put an immediate procedure in place with some of the recommendations provided by Auphsite, the firm that conducted an outside audit. He stated that FFA has also consulted with an outside organization to provide a second opinion regarding the current policies and procedures, which have been working at EastSide, and give some advice on best practices on how to roll them out in a small organization. Mr. Medaglio stated that he was able to identify a few unnecessary contracts (i.e. advertising and multimedia), which have been terminated. The next step was to create a budget. However, the budget is only through the end of December. He stated that the school appears to be in a good place with about 56% of the expenditures spent, but there were a lot of invoices and contracts that were not up-to-date. He stated that all of January was dedicated to settling outstanding

items. He stated that he anticipates that the expenditures will be higher, but that he does not expect them to be problematic.

Mr. Blowman asked whether there has been any transition in terms of the staff in charge of payroll. Mr. Medaglio responded that Mr. Moore was solely responsible for payroll. Ms. Belinda Morris handled the past three cycles of payroll, but was not properly trained. Now, Ms. Morris will input, Ms. Ismay DeCosta will check, and Mr. Medaglio will approve. FFA has been behind payroll authorizations for about six pay cycles. However, as of today, Mr. Medaglio will be able to give the authorizations. Mr. McDowell added that one individual in the business office was brought on board in December 2014 as a result of the findings.

Ms. Nagourney referenced car payments to a staff member and asked whether there are any remaining staff members who were directly involved in the mismanagement, and whether they are any way currently involved in FFA's finances. Dr. Browne noted that this was still under investigation, but that anyone who had any dealings with anything financial currently have no hands on finances.

Mr. Blowman noted for the record that Ms. Morris was previously an employee of the Brandywine School District in Mr. Blowman's payroll office when Mr. Blowman was the Chief Financial Officer for Brandywine School District.

Dr. Browne stated that, in addition to payroll, FFA is going through every contract and vendor. He noted that FFA has terminated some contracts, as well as a position that was on the payroll somewhat inappropriately. He added that FFA is doing its due diligence to make sure that every dollar that is going out of the building is for the right reasons and can be justified. Mr. Humphrey added that FFA had a de-briefing with Auphsite and specifically asked Auphsite whether there were other areas that FFA should be looking at beyond what is identified in the audit. He stated that FFA continues to investigate those matters. He acknowledged that FFA has gross weaknesses in its internal control system and is attempting to bring that under control. He stated that FFA has interviewed and anticipates engaging another auditing firm, Maillie, LLP, to review FFA's internal control policies.

Ms. Johnson inquired about a document that was identified during the renewal process as new internal controls for FFA, yet were dated 2012, were unsigned, and were not documented in any FFA Board minutes as having been adopted. She asked whether there is currently an approved internal controls document currently in place at FFA. Mr. Medaglio replied that a number of procedures and protocols based on EastSide have been rolled out at FFA, but which have not yet been approved by the Board. He stated that FFA would also like to await Maillie's review of those documents. He added, however, that he believes that the policies and procedures currently in place provide for the necessary segregation of duties. Mr. Humphrey added that Dr. Browne and Mr. Medaglio reviewed the policies and procedures identified by Ms. Johnson with staff, and that they were instituted after the first Board meeting.

Dr. Browne added that, though it may seem surprising, FFA's financial health is strong. Mr. Blowman acknowledged that the question at the State Board of Education Meeting was not the overall financial viability of FFA, but that a lot of money was spent inappropriately. Ms. Field Rogers requested a copy of the budget that Mr. Medaglio prepared through December, the internal controls policy, and the January numbers once available. Mr. Blowman stated that, based on the discussion, he would not be surprised if the numbers reflected a spike in expenditures for January 2015.

Ms. Nagourney asked if the DOE could be provided a list of the outstanding invoices. Mr. Medaglio replied that he is still investigating a few, but for the most part, 90% of them have been approved. Mr. Blowman noted that the existence of outstanding invoices evidences weak overall financial procedures at FFA.

Ms. Field Rogers asked the school to clarify the status of its outside account, how it's been closed, and how FFA is handling the mortgage payments. Mr. Medaglio stated that FFA sat down with WSFS to gain a better understanding of what is due monthly. He stated that he does not anticipate a problem staying on top of those payments moving forward. Mr. Humphrey added that there were three primary accounts. A PNC account, which was used for processing cash for Before-and-After Day Care, has been closed as of May 2014. Mr. Medaglio added that the account was primarily for summer camp. Mr. Humphrey stated that the American Express accounts were closed March 2014. Finally, Mr. Humphrey stated that the WSFS checking account, which was tied to the second loan and being used to write the checks, was closed on January 23, 2015 with a zero balance. He stated that, to the Board's knowledge, there are currently no accounts outside of the state system. Mr. Blowman commented that all revenues are being deposited inside the state system and replied that, though unusual, it makes sense under the circumstances.

#### Administrative Operations

This item was addressed throughout the discussion.

#### Material fraud on the DOE by the School or its representatives; Misappropriation of federal, state and local funds

Mr. McDowell stated that FFA made contact with the Delaware Attorney General's Office and provided all information regarding possible criminal violations. He stated that FFA will give the Attorney General's Office anything else that it discovers. Ms. Hickey confirmed that, through Ms. Hickey, Mr. McDowell contacted the Attorney General's Office, and a Department of Justice investigator has been in contact with FFA.

Ms. Johnson asked for information regarding how FFA is handling the repayment of misappropriated funds. Mr. McDowell replied that the amounts that were identified by FFA's prior Board as having been spent on personal purposes were included in the re-negotiated employment contracts of the Co-Directors. Under the contracts, those amounts were set up as loans to be paid back over a period of time. The contracts provide that, if the Co-Directors are

terminated for cause, then the amounts become due within five days. Mr. McDowell stated that each Co-Director has been terminated for cause and are both challenging their terminations. He stated that FFA is now working through the appeals process for those individuals.

Impact of sudden and significant changes to the Board and School leadership on the continuity of the academic program's success and approved school policies, including FFA's Mission, Student performance education plan; Curriculum; Implementation of appropriate strategies to accommodate the needs of at-risk students and those needing special education services; and Student discipline plan

Mr. Blowman acknowledged that, despite everything, students appeared to be generally well-served. Dr. Browne stated that, for the amount of change that needed to happen, not as much change was needed academically. He stated that, the curriculum and academic approach are continuing. Through his presence, he is providing further leadership and support for teachers. He stated that FFA anticipates a curriculum change next year and a minor modification to implement the Teaching Excellence Framework, an alternative evaluation system, to go into effect in September 2015. He added that the Dean of Special Education Services for EastSide, Ms. Katelyn Whelan, has supported Ms. Cippola, the Director of Special Education at FFA.

Ms. Reffuge stated that she has seen positive changes at FFA and a more positive environment for teachers. She stated that, whereas teachers were previously nervous, the staff morale has been boosted. She stated that staff members feel comfortable in the direction FFA is headed and that students can sense it. Dr. Browne added that the same is true for parents, as many were previously considering enrolling in another school for next year. He stated that FFA's new student enrollment is strong and FFA also anticipates strong retention.

Mr. Blowman asked for more information regarding the anticipated curriculum changes for the 2015-16 school year. Dr. Browne acknowledged that, to some extent, it may be premature to mention at this point. However, he stated that FFA wants a rigorous Common Core aligned curriculum and student-centered exploratory learning. He stated that the desire is to have the same curriculum for each grade and subject at EastSide and FFA. Ms. McCrae asked for clarification regarding how, in light of these intentions, each school will keep its separate identity. Dr. Browne replied that each school and its students will be looked at individually, and a rigorous student-centered curriculum can be the same for several schools. He stated that if it turns out that the needs for both schools are the same, then resources and professional development can be shared.

Ms. Nagourney asked what distinguishes the culture at each of the schools. Dr. Browne replied that there are certain best practices that he would like to see in all schools and bring to FFA, but that he also hopes to maintain what makes FFA unique. He stated that he believes that what makes the culture is the practices that are instituted, some of which may be similar to other schools and some of which are unique to FFA. Also, the staff that is hired and the leadership team. Mr. McDowell added that the demographics of EastSide and FFA are similar, though not the same.

Dr. Blowman asked the school to speak to its strategies to accommodate the needs of at-risk students and the student IEP plans. Dr. Browne replied that Ms. Cippola has had four meetings with Ms. Whelan and some of FFA's teachers have visited EastSide to observe best practices.

Ms. Mazza asked who evaluates FFA's special education teachers. Dr. Browne replied that, right now, the leadership team conducts the evaluations. However, one of Dr. Browne's visions is that a Director of Special Education, whether Ms. Cippola or someone else, directly oversees those teachers and coaches them. He added that he hopes to develop Ms. Cippola so that she will have the experience to serve in that role. Ms. Mazza asked whether Ms. Cippola has a teaching load and Dr. Browne replied that she does.

Ms. Mazza asked the school to explain its plan for checks and balances with regards to reviewing student records and ensuring that students receive accommodations in accordance with their IEPs. Dr. Browne stated that he hopes to provide more information in the future, as this is on the short-term radar.

Ms. Mazza asked whether FFA has looked into federal Individuals with Disabilities Education Act (IDEA) funds and Consolidated Grant funds to ensure that they have been spent appropriately. Mr. Medaglio replied that is still looking at the Consolidated Grant and most of the funds are allocated to salaries. He stated that it appears that most of the appropriations are still pulling from last year. He stated that he believes they were set up properly, but has sat down with the two individuals in FFA's business office to make them aware of allocations that are not salary. Ms. Mazza subsequently requested a plan for IEP implementation and an update on Mr. Medaglio's research regarding the Consolidated Grant.

Ms. Johnson subsequently requested that, at the next CSAC meeting, FFA provide information regarding how FFA will carry out its family-oriented mission, specifically detailing what has been done and what it has planned for the future. Dr. Browne stated that FFA has had its first Principal candidate apply and has scheduled an interview for next Thursday. He stated that he invited fifteen parents to participate on the Principal Interview Committee, five of whom have already signed up.

## **Conclusion**

Mr. Blowman asked the CSAC whether there were any additional questions.

Ms. Field Rogers asked for clarification regarding whether the stipends to be paid to EastSide's employees is above and beyond their current workload, stating that it wasn't clear from the consulting agreement. Mr. McDowell replied that the stipends are essentially for overtime work. Ms. Field Rogers requested that this be more clearly documented.

Ms. Wilson asked whether FFA's circumstances have been communicated to parents. Mr. McDowell replied that a letter was sent to FFA parents the night after the first Board meeting, which explained what was going on with FFA. He stated that, coincidentally, there was a Parent Teacher Association (PTA) meeting two nights later, which was well-attended by parents and which the Board also attended. He stated that the Board will likely send another communication to parents as soon as it receives the CSAC Initial Report. Dr. Browne added that he has also instituted a weekly parent bulletin. In addition, there is a staff member reaching out to each family individually to reintroduce the new individuals, discuss enrollment, and answer parent questions.

Ms. McCrae requested a clear plan outlining how EastSide and FFA will remain two separate schools, expressing concern that there is a risk of two schools' missions crossing and becoming one over time. Ms. Massett commented that there is already a similar model in Delaware insofar as Innovative Schools has a hybrid Charter Management Organization (CMO) model. Ms. Massett added that she wanted it to be clear that certain individuals have "stepped up" for the benefit of FFA's students and expressed concern regarding a request for long-winded documentation. Mr. Blowman commented that this is a unique situation. Ms. McCrae replied that she wished to make the record clear that she recognizes, acknowledges, and appreciates the good that is being done, and believes that sharing resources is great, but noted that parents sign up for a school's specific mission, vision, and culture when they enroll their children at that school. Ms. Johnson commented that, while there are overlaps, EastSide is not taking over FFA, nor is the present formal review process a review of EastSide. Ms. Donna commented that, while she appreciates Dr. Browne's efforts and the vision that he has shared, she wished to make clear that the CSAC is not currently considering a curriculum change. Ms. Johnson stated that a diagram or an organizational chart would be helpful to the CSAC, but commented that the CSAC should be careful not to spend an overabundance of time looking at what could happen down the road, rather than what needs to happen now.

As discussed above, the following specific information was requested by the CSAC:

- A copy of the budget that Mr. Medaglio prepared through December;
- FFA's internal controls policy;
- January budget numbers once available;
- A copy of any outstanding invoices;
- A plan for IEP implementation;
- An update on Mr. Medaglio's research regarding the Consolidated Grant;
- Documentation clearly demonstrating that stipends to be paid to EastSide's staff through the Consulting Agreement are for services performed above and beyond those individuals' roles as EastSide employees;
- A plan demonstrating how FFA will carry out its family-oriented mission, specifically detailing what has been done and what it has planned for the future;
- A plan demonstrating how EastSide and FFA will remain two separate schools with two separate missions; and

- A diagram or an organizational chart.

**Next Steps:**

- The CSAC will provide the school with an Initial Report no later than February 9, 2015.
- An initial public hearing will be held on February 10, 2015, at 5:00 p.m., in the 2nd floor Cabinet Room of the Townsend Building in Dover, DE.
- The applicant's written response to the CSAC Initial Report is due by 5:00 p.m. on February 24, 2015.
- The final meeting of the CSAC will be held on March 2, 2015, at 2:00 p.m., in the 2nd floor Cabinet Room of the Townsend Building in Dover, DE.
- The CSAC's Final Report will be issued no later than March 5, 2015.
- If remedial measures are recommended, a second and final public hearing will be held on March 9, 2015, at 5:00 p.m., in the 2nd floor Auditorium of the Carvel State Office Building in Wilmington, DE.
- The public comment period closes on March 13, 2015.
- The Secretary will announce his decision at the March 19, 2015 State Board of Education meeting.