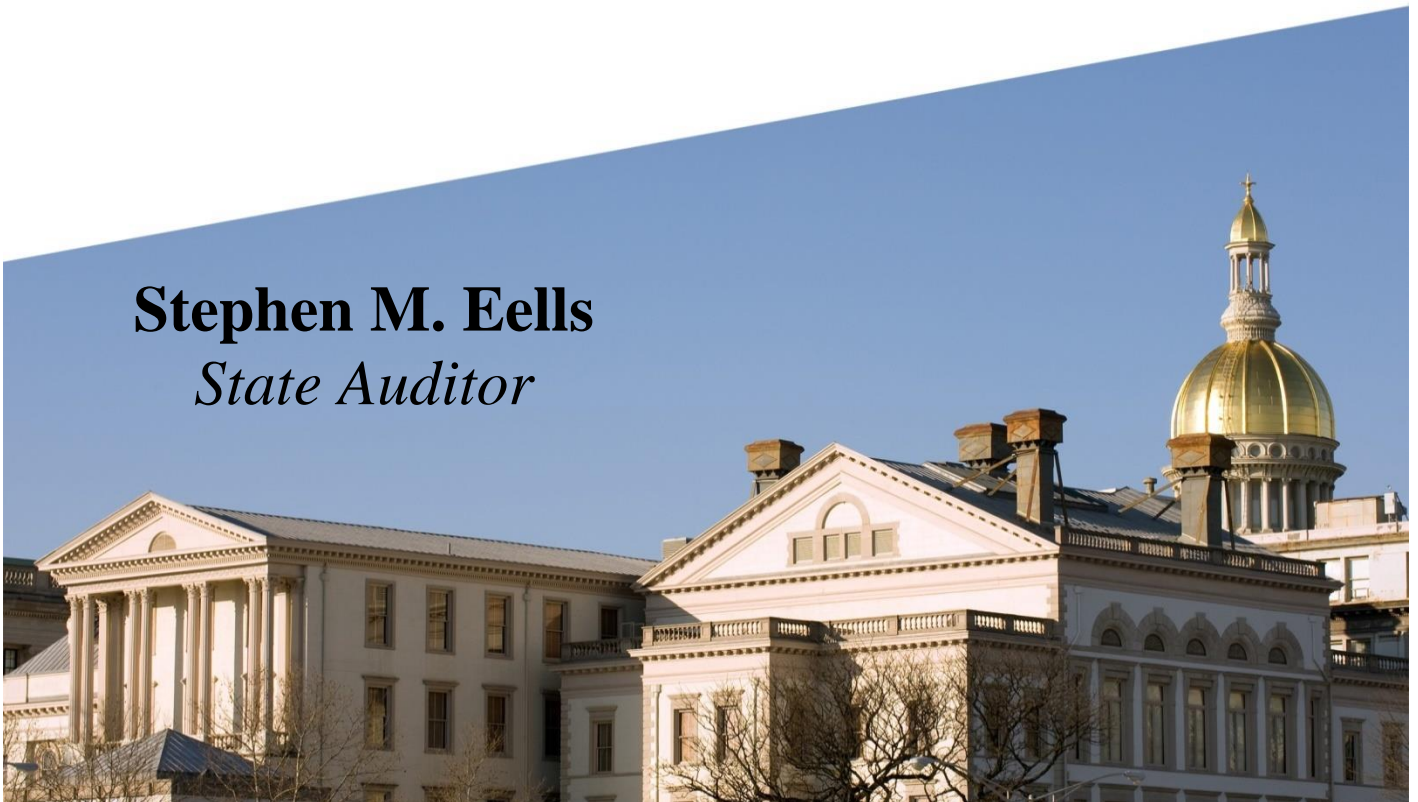


*New Jersey Legislature*  
★ *Office of* LEGISLATIVE SERVICES ★  
**OFFICE OF THE STATE AUDITOR**

Department of Education  
Renaissance Schools

July 1, 2015 to October 2, 2018

**Stephen M. Eells**  
*State Auditor*



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The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Craig J. Coughlin  
Speaker of the General Assembly

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Executive Director  
Office of Legislative Services

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', written over a horizontal line.

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](http://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.

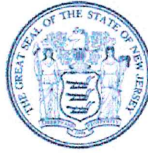
### *Board of Trustee Meetings*

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.





State of New Jersey  
DEPARTMENT OF EDUCATION  
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PHILIP D. MURPHY  
Governor

SHEILA Y. OLIVER  
Lt. Governor

LAMONT O. REPOLLET, ED.D.  
Commissioner

January 18, 2019

Mr. Stephen M. Eells, State Auditor  
Office of Legislative Services  
Office of the State Auditor  
125 South Warren Street  
P.O. Box 067  
Trenton, NJ 08625-0067

**SUBJECT:** *Response to the OLS Audit Report of the Department of Education Renaissance Schools*

Dear Mr. Eells:

The New Jersey Department of Education (Department) has received and reviewed the Office of Legislative Services, Office of the State Auditor (State Auditor) Report of the Department of Education, Renaissance Schools for the audit period of July 1, 2015 to October 2, 2018. The State Auditor's finding and recommendation, along with our response is as follows:

**Finding Number 1**

Renaissance Schools Oversight – The Department has not provided adequate oversight to ensure renaissance schools complied with applicable state laws and regulations, specifically related to criminal history background checks, employee certification, the enrollment process and the board of trustee meetings.

**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 schools projects' websites as required by the administrative code.

### **Department Response**

The State Auditor has concluded that the Department has complied with applicable provisions of the Urban Hope Act. However, the State Auditor further concludes that the Department has not provided adequate oversight to ensure that renaissance school projects have complied with applicable state laws and regulations, specifically related to criminal history background checks, employee certification, the enrollment process, and board of trustee meetings.

The Department is dedicated to ensuring the safety, security, access, and equity in public education for all New Jersey students. To that end, while the Department has complied with all applicable provisions of the Urban Hope Act, it will endeavor to strengthen its oversight of renaissance school projects to ensure that Camden students have access to a safe, high-quality education.

The Department will seek to strengthen its oversight in the following ways: by increasing its communication with renaissance school projects and the Camden City School District; by conducting announced and unannounced site visits to one or more facilities of a renaissance school project on a periodic basis, consistent with the Urban Hope Act and accompanying regulations; by verifying, to the best of its ability, the information provided in annual reports submitted by the renaissance school projects, including information regarding criminal background checks, employee certifications, and automatic enrollment; and by periodically reviewing websites for the renaissance school projects to ensure compliance with the regulatory requirements to publicly post board of trustee meeting notices and minutes. As part of this oversight, the Department, through the Camden County Office of Education, will provide assistance to the renaissance school projects and the Camden City School District in order to ensure all issues outlined in the State Auditor's report are addressed and remedied.

The Department respectfully disagrees with the recommendation it should set a specific timeframe for conducting periodic reviews of renaissance school projects. A structured timeframe for review would be inconsistent with the Urban Hope Act and accompanying regulations at *N.J.A.C. 6A:31-1.1 et seq.*, as amended in January 2018. Had the legislature intended to quantify the timeframe for conducting reviews, beyond "periodic" reviews, it would have explicitly stated the requirement in the statute. Further, a structured timeframe for conducting periodic reviews is seemingly incompatible with the State Auditor's recommendation that periodic reviews include unannounced site visits. That said, the Department is committed to increasing its overall communication with renaissance school projects and the renaissance school district, including announced and unannounced visits to renaissance schools, as part of its periodic reviews.

As part of its commitment to increase oversight of renaissance school projects, the Department will review the annual report requirements articulated in the Urban Hope Act and accompanying regulations to determine whether the Department can include additional reporting measures that might expose and mitigate noncompliance issues similar to those identified in the State Auditor's report.

Further, as permitted by *N.J.A.C. 6A:31-5.3(c)*, the Commissioner of Education will require each renaissance school project to submit a remedial plan to the Department and the Camden City School District to address the specific areas of noncompliance in the State Auditor's report. As part of the remediation, the Commissioner will exercise his right under *N.J.S.A. 18A:36C-10(c)* to review records of the renaissance school project for compliance with State laws and regulations. Upon further review of the respective remedial plans, the Commissioner may require further action from the

renaissance school projects or administer sanctions, including closure, if a renaissance school project fails to submit and implement a satisfactory remedial plan.

#### *Criminal History Background Checks*

Per *N.J.S.A.* 18A:6-7.1, all employees of a school or school system whose job duties include regular contact with students must undergo a criminal history background check as a condition of employment. Similarly, all members of a board of trustees must complete a criminal history background check within 30 days of appointment to the board as required by *N.J.S.A.* 18A:36C-7(h), *N.J.S.A.* 18A:36A-11.1(b), and *N.J.S.A.* 18A:12-1 *et seq.* As part of the requirement to submit remedial plans, the Commissioner will require the renaissance school projects to verify, with appropriate documentation, that all employees and board members have completed a criminal history background check. In the event that a renaissance school project has failed to ensure that all employees and board members have successfully cleared a criminal background check, the Commissioner will refer the matter to the Department's Criminal History Review Unit for further action.

#### *Employee Certification*

Per *N.J.S.A.* 18A:26-2, no teaching staff member shall be employed in a public school unless he or she is the holder of a valid certificate to teach, administer, direct, or supervise. As part of the requirement to submit remedial plans, the Commissioner will require the renaissance school projects to verify, with appropriate documentation, that all teaching staff, administrators, and educational service providers are appropriately certificated to serve in their respective employment capacities. In the event that questions or concerns are raised regarding the certification of a renaissance school employee, the Commissioner will refer those matters to the Office of Certification/Induction for further action. Further action may include requiring the employing renaissance school project to remove an individual from a position who fails to maintain the mandated license, certificate, or authorization and report that individual to the Board of Examiners as required by *N.J.A.C.* 6A:9B-5.1(c) and *N.J.A.C.* 6A:9B-4.3(a).

#### *Enrollment Process*

Under *N.J.S.A.* 18A:36C-8, students who live within the appropriate attendance area shall be automatically enrolled in the renaissance school project. To the extent that Camden City School District's universal enrollment system violates statutory or regulatory enrollment requirements, the Department will work with the district to remedy these issues.

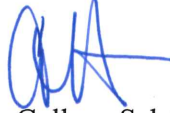
#### *Board of Trustee Meetings*

As a public body, boards of trustees of renaissance school projects are subject to the Open Public Meetings Act (*N.J.S.A.* 10:4-6 *et seq.*). Further, in January 2018, the Commissioner adopted regulations codifying the requirement that a board of trustees of a renaissance school project must post a copy of all board meeting notices and meeting minutes on the renaissance school project's website. (See *N.J.A.C.* 6A:31-7.3). Any renaissance school project in violation of these obligations will be required, as part of a remedial plan, to describe with specificity the corrective action that it will take to resolve these deficiencies. The Commissioner will require that this corrective action include a plan to ensure consistent compliance with all Open Public Meeting Act requirements in the future.

Mr. Stephen M. Eells, State Auditor  
January 18, 2019  
Page 4

We trust that our response satisfies the concerns raised in the audit report. Should you have any additional questions or need further information, please contact me at (609) 376-3815.

Sincerely,



Colleen Schulz-Eskow  
Deputy Chief of Staff  
Legislative Affairs

CSE/SF/doe response- Renaissance Schools 2018

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