



2015-16 Ten-Year Charter Review Report

St. Coletta Public Charter School

December 14, 2015

DC Public Charter School Board
3333 14th Street, NW, Suite 210
Washington, DC 20010
(202) 328-2660
www.dcpsb.org

TABLE OF CONTENTS

KEY FINDINGS AND BOARD VOTE	2
CHARTER REVIEW STANDARD.....	4
BACKGROUND INFORMATION ABOUT SCHOOL.....	4
SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS	7
SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS	12
SECTION THREE: FISCAL MANAGEMENT AND ECONOMIC VIABILITY	17

KEY FINDINGS AND BOARD VOTE

The District of Columbia Public Charter School Board (“DC PCSB”) staff has conducted a charter review of St. Coletta Special Education Public Charter School (“St. Coletta PCS”) according to the standard required by the School Reform Act (“SRA”), D.C. Code §§ 38-1802 *et seq.*¹ St. Coletta PCS fully met all of its goals and student academic achievement expectations (“academic expectations”), and has neither materially violated the law nor its charter. Based on these findings, on December 14, 2015 the DC PCSB Board voted 5-0 to continue the school’s charter with the conditions described below. DC PCSB commends the school for its fidelity to its mission and its service to District of Columbia students with disabilities.

St. Coletta PCS is the only DC public charter school whose mission is to serve solely students with disabilities, and nearly all of St. Coletta PCS students are classified as having “Level Four” disabilities, and have severe cognitive and secondary disabilities. The school was founded by St. Coletta of Greater Washington (“SCGW”), a non-profit organization that has operated a private school program for children and adults with disabilities since 1959. SCGW manages St. Coletta PCS’s operations according to a management agreement executed by SCGW and the school. Per this management agreement, St. Coletta PCS transfers all revenues to SCGW, which then pays all of the school’s vendors and personnel, and keeps any excess funds as a management fee.

DC PCSB commends the school for its fidelity to its mission and its service to District of Columbia students with disabilities. A review of St. Coletta PCS’s board minutes indicates that the school’s board is active and engaged, and discusses academic, compliance, and fiscal issues related to the school’s operation. Indeed, the SRA requires charter schools to “be responsible for the [school’s] operation, including preparation of a budget and personnel matters,”² and that a charter school’s board of trustees “shall set overall policy for the school.”³ However, while the school’s board may discuss those matters, the management agreement places significant managerial authority of St. Coletta PCS with SCGW, which may conflict with the statutory requirement that a school’s board have ultimate control of a DC charter school.

Another concern is with the level of transparency of the school’s financial statements as reported to DC PCSB. Per the management agreement, all revenues received by the school are immediately transferred to the management organization, which then pays all of the school’s vendors and personnel. Any excess funds are considered a management fee and retained by the management organization. This payment structure creates a lack of transparency regarding the school’s use of public funds. While SCGW has been responsive to DC PCSB’s requests for financial information about the management company, DC PCSB is unable to fully monitor the school’s fiscal performance because its financial transactions are

¹ D.C. Code § 38-1802.12(a)(3).

² D.C. Code § 38-1802.04(b)(7).

³ D.C. Code § 38-1802.05(d).

not reported separately from those of the management company in audited financial statements. St. Coletta PCS's finances are separately audited from those of its management company, but due to the nature of the financial transfers between St. Coletta PCS and SCGW, the school's audits do not provide adequate detail into the school's use of funds. Historically, the school's audits have shown total revenue, and a single expense, comprising all of the school's revenues being transferred to SCGW. However, it should be noted that the school and SCGW have committed to begin reporting the school's financial activities separately from those of the management organization in the annual financial audits. Additionally, because it transfers all funds to its management company, the school has not been required to submit documentation of its procurement contracting, as is required by the SRA. DC PCSB met with the school on October 26, 2015 to discuss the concerns around fiscal transparency. The school assured DC PCSB that it complies with the SRA's procurement requirements and is willing to submit procurement documentation to DC PCSB in the future.

Given these reporting practices, and in light of the pending legislation aimed at increasing the transparency of contracts between public charter schools and management organizations that is currently being considered by the DC Council, DC PCSB staff recommends the school's continuance be conditioned on the school fulfilling the commitments it made at the October 26, 2015 meeting, including:

- **Segregation of the School's Financial Statements.** The school and its management company should revise the format of their financial statements to separate the school from the other parts of the organization. This will enable DC PCSB to effectively monitor the school's financial stability and verify the use public funds.
- **Compliance with Procurement Contract Submission Policy.** The school has not submitted any documentation regarding procurement contracts to DC PCSB. To demonstrate compliance with the SRA's requirements in this area, St. Coletta PCS should submit all procurement contract documents - including solicitations, bids received, executed contracts, and the determinations and findings form – to DC PCSB for the the current fiscal year (FY16) and all future years.
- **Transparent Reporting of the Management Fee.** Currently, the difference between the school's revenues and expenses are retained by SCGW as its management fee. The school should report the management fee separately from all expenditures related to the school's operations.

These change to the school's financial reporting are necessary for St. Coletta PCS to achieve a level of transparency consistent with the rest of the sector. DC PCSB staff appreciates St. Coletta PCS and SCGW's collaboration in developing these new practices to create sufficient transparency without creating undue burden on the school. Finally, PCSB staff recommends further analysis to ensure that the school's governance structure complies with the SRA's requirement that control of the school remain

with the school's board, and that St. Coletta PCS amend its governing documents if necessary to ensure full compliance.

CHARTER REVIEW STANDARD

The SRA provides that DC PCSB "shall review [a school's] charter at least once every [five] years."⁴ As part of this review, DC PCSB must determine whether:

- (1) The school committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities; and/or
- (2) The school failed to meet the goals and student academic achievement expectations set forth in its charter.⁵

If DC PCSB determines that a school has committed a material violation of applicable law, or has not met its goals and expectations, as described above, it may, at its discretion, grant the school a conditional continuance, or revoke the school's charter. Additionally, there is a fiscal component to the charter review. DC PCSB is required by the SRA to revoke a school's charter if DC PCSB determines in its review that the school (1) has engaged in a pattern of non-adherence to generally accepted accounting principles; (2) has engaged in a pattern of fiscal mismanagement; and/or (3) is no longer economically viable.

BACKGROUND INFORMATION ABOUT SCHOOL

School Overview

St. Coletta PCS began operation as a public charter school in 2006 under authorization from the District of Columbia Board of Education ("DC BOE") to serve students aged 3-22 with intellectual disabilities. The school was founded by SCGW, a non-profit organization that opened a private school for students with disabilities in 1959. SCGW continues to operate a private school, which serves Maryland and Virginia students, along with adult students. The private school operates alongside the DC charter school, which serves eligible DC residents only. In 2008, after the passage of the Public Education Reform Amendment Act dissolved the DC BOE, DC PCSB became the authorizer of the school. The school's mission is:

To serve children and adults with intellectual disabilities, and to support their families.⁶

⁴ D.C. Code § 38-1802.12(a)(3).

⁵ D.C. Code § 38-1802.12(c).

⁶ See St. Coletta PCS 2013-14 annual report, p. 3, attached to this report as Appendix A.

As noted above, nearly all of St. Coletta PCS students have been identified with Level 4 disabilities, the category that requires the most hours of special education support services. The school notes its students are diagnosed with “intellectual disabilities, autism...and secondary disabling conditions [including] speech language disorders, vision or hearing impairments, orthopedic impairments, health impairments and behavioral disorders.”⁷

St. Coletta PCS’s programming includes “functional academics, functional life skills, physical education, arts education, computer skills, and vocational training.”⁸ The school’s facility is divided into several “houses”, in which students are grouped according to age. Each house includes a teaching kitchen and laundry facilities, where students develop life skills necessary for independent living. The school has an on-site garden that is used to teach students about science, nature, and healthy living. St. Coletta PCS provides therapeutic services to students as required by their IEPs, including “speech/language therapy, occupational therapy, physical and hydrotherapy, audiological and vision services, and counseling.”⁹

Students who are aged 16-22 participate in the school’s Senior Program, through which students develop vocational skills and plans for living and working once they graduate from the St. Coletta PCS program. Exiting St. Coletta PCS students earn high school certificates of completion based on completing their Individualized Education Program (“IEP”) objectives.

DC PCSB staff completed a Qualitative Site Review of St. Coletta PCS from September 14 – September 29, 2015. The team observed overwhelming evidence of the school fulfilling its mission and the school scored exceptionally high on the Framework for Teaching rubric. Observers during the unannounced visit scored 97% of the observations as distinguished or proficient using the Charlotte Danielson Framework for Teaching and Learning in the Classroom Environment Domain and another 93% as distinguished or proficient in the Instruction Domain. The evidence was overwhelmingly positive, reflecting an exceptional learning environment for their target population. Below is an expert from the Qualitative Site Review report, which can be found in its totality on DC PCSB’s website or [here](#).

There is evidence of a rich, genuine, progressive academic setting that supports the growth and success of each student. The instruction covers functional life and academic skills. Classroom supports ranged from special education classroom teachers to instructional aides/paraprofessionals, dedicated aides, and therapists...Individualization was evident in each of the observations. There was consistency in the content and themes presented during class instruction and activities. Teachers and adult supports were able to individualize instruction and strategies to ensure they were specific to the individual needs of each student. Both small group

⁷ See 2014-15 Annual report, p. 3, attached to this report as Appendix B.

⁸ See Appendix B, p. 3.

⁹ See Appendix B, p. 7.

and whole group instruction were used regularly, and there were numerous opportunities for one-on-one instruction.¹⁰

The school’s performance has been evaluated according to accountability plans over the past four years. In December 2014, the school amended its charter to align its goals and academic expectations with the targets in these accountability plans.¹¹

2015-16 Grade Levels	2015-16 Student Enrollment	2011-12 Accountability Plan	2012-13 Accountability Plan	2013-14 Accountability Plan	2014-15 Accountability Plan
Ungraded	249	5 of 5 targets met	5 of 6 targets met	6 of 6 targets met	6 of 6 targets met

Prior Charter Review

While St. Coletta PCS’s fifth year in operation was 2010-11, the school was not reviewed until the school’s sixth year in operation. This delay was due to the school transitioning from the authorization of the now defunct DC Board of Education (“BOE”) to DC PCSB. In January 2012, DC PCSB conducted the school’s first charter review, and the DC PCSB Board granted charter continuance to St. Coletta PCS noting that the school met all of its accountability plan targets, had remained in compliance with the law and its charter, and was economically viable, adhered to generally accepted accounting principles, and not had not committed fiscal mismanagement.¹² It was noted by DC PCSB that the school exceeded its attendance goal by 10%, and that it had met its goals related to student proficiency on the DC CAS Alternate Assessment, along with students earning a certificate of high school completion.

¹⁰ See Qualitative Site Review, p. 2, attached to this report as Appendix C.

¹¹ See St. Coletta PCS charter amendment, attached to this report as Appendix D.

¹² See letter from Mr. Brian Jones, DC PCSB Board Chair, to Ms. Elizabeth Pierce, St. Coletta PCS board chair, dated January 25, 2012, attached to this report as appendix E. In this review, DC PCSB did not assess whether the school met its goals and academic achievement expectations as detailed in its charter.

SECTION ONE: GOALS AND ACADEMIC ACHIEVEMENT EXPECTATIONS

The SRA requires DC PCSB to review whether a school has met its goals and academic expectations at least once every five years. Goals and expectations are only considered as part of the review analysis if they were included in a school’s charter, charter amendment, or accountability plans approved by the DC PCSB Board (collectively, the “Charter”).

DC PCSB has four ratings that it applies to schools when assessing goal attainment: Fully met, substantially met, partially met, and did not meet. To fully meet a goal, the school has to show that it met the goal’s target each of the years. To substantially meet the goal, the school has to have demonstrated that it met the goal in the majority of the years. To partially meet a goal, the school has to have met the goal at least 40% of the time; and to not meet the goal the school will have needed to miss the target more than 60% of the years under this review. DC PCSB staff generally recommends schools for continuance that meet or substantially meet the majority of their goals, with no goal not being met.

In December 2014, the DC PCSB Board approved a request from the school to amend its charter to adopt the goals in the table below. A detailed analysis of the school’s attainment of its goals and expectations is included in the body of this report, and is organized according to the indicators assessed in the school’s accountability plan.

	Goals and Academic Expectations	Met?
1	In 2011-12, St. Coletta PCS will meet two thirds of the school’s 2011-12 Accountability Plan targets.	Yes
2	In 2012-13, St. Coletta PCS will meet two thirds of the school’s 2012-13 Accountability Plan targets.	Yes
3	In 2013-14, St. Coletta PCS will meet two thirds of the school’s 2012-13 Accountability Plan targets.	Yes
4	In 2014-15, St. Coletta PCS will meet two thirds of the school’s 2012-13 Accountability Plan targets, excluding those measures and targets related to the DC CAS Alternate Assessment due to the test no longer being administered.	Yes

1. Individualized Education Program Outcomes. St. Coletta PCS met this target. Each year, St. Coletta PCS students showed progress in mastering a majority of their student objectives.

Year	Target	Target Met?
2011-12	68% of student objectives will be achieved at Expanding, Progressing, or Mastery Level.	Yes. 68.5% of students achieved at Expanding, Progressing, or Mastery.
2012-13		Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 79.5%.
2013-14		Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 81.5%.
2014-15		Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 74.8%.

Year	Target	Target Met?
2012-13	75% of student objectives upon completion of the fourth quarter of student IEPs will be achieved at Expanding, Progressing, or Mastery Level.	Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 87.2%.
2013-14		Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 90.6%.
2014-15		Yes. The percentage of students who received Expanding, Progressing, or Mastered on their objectives was 86.9%.

Qualitative Evidence

In September 2015, DC PCSB staff conducted a Qualitative Site Review (“QSR”) of St. Coletta PCS. In their report, they described the following in support of the goal.

Teachers used specific tools with each student to enhance their mobility, ability to communicate, and understanding of concepts in the classroom.

These tools included Tech Talk (assistive technology that students use to communicate with others), iPads, wheelchairs, and walking devices, depending on the needs of the student. Students had freedom to move around the garden while others took turns pulling vegetables out of the soil. Teachers were attentive to students' need to move and explore. Teachers redirected students' attention in small group work and individual work when needed. Incentives such as toys or iPad time were used to reward students after they finished certain work periods.¹³

2. **Math.** St. Coletta PCS met its target related to math outcomes in two of three years from 2011-12 to 2013-14. In 2014-15, the school transitioned to a new assessment, the outcomes of which are not considered as part of this review assessment.

Year	Target	Target Met?
2011-12	80% of students participating in the DC CAS-Alt will score proficient or advanced in math.	Yes. 91.6% scored proficient.
2012-13		No. 74.1% scored proficient or advanced.
2013-14		Yes. 86.3% scored proficient or advanced.
2014-15		N/A Results from alternative assessment unavailable at time of this report's publication.

¹³ See Appendix C, p. 4.

3. **Reading.** St. Coletta PCS met its target related to reading outcomes from 2011-12 to 2013-14. In 2014-15, the school transitioned to a new assessment, the outcomes of which are not considered as part of this review assessment.

Year	Target	Target Met?
2011-12	80% of students participating in the DC CAS-Alt will score proficient or advanced in reading.	Yes. 96.4% scored proficient.
2012-13		Yes. 85.2% scored proficient or advanced.
2013-14		Yes. 89.5% scored proficient or advanced.
2014-15		N/A Results from alternative assessment unavailable at time of this report's publication.

Qualitative Evidence

DC PCSB staff described the following observations in support of the goal.

- Teachers’ classrooms had student work, transition zones, student schedules, and word walls posted.
- A student who entered class immediately began working on her journal, with the assistance of her aide... Teachers worked one-on-one with students in small groups to complete their journal activity through picture cards, that depicted the month, the day of the week, and how they felt that day.
- One teacher asked a student to organize pictures of events in the correct sequence based on a text.¹⁴

4. **Attendance.** St. Coletta PCS met its attendance targets each year since 2011-12.

Year	Target	Target Met?
2011-12	On average, students will attend school 88% of the days.	Yes. The average daily attendance was 97.5%.
2012-13		Yes. The average daily attendance was 97.4%.
2013-14		Yes. The in-seat attendance was 88.9%.
2014-15		Yes. The in-seat attendance was 88.6%.

¹⁴ See Appendix C.

5. IEP Certificate of Completion. Each year since 2011-12, 100% of eligible students graduated with an IEP Certificate of Completion.

Year	Target	Target Met?
2011-12	90% of students who are eligible will graduate with a High School Certificate (IEP Certificate of Completion).	<p style="text-align: center;">Yes.</p> 100% of students graduated with a High School Certificate.
2012-13		<p style="text-align: center;">Yes.</p> 100% of students graduated with a High School Certificate.
2013-14		<p style="text-align: center;">Yes.</p> 100% of students graduated with a High School Certificate.
2014-15		<p style="text-align: center;">Yes.</p> 100% of students graduated with a High School Certificate.

SECTION TWO: COMPLIANCE WITH CHARTER AND APPLICABLE LAWS

The SRA requires DC PCSB to determine at least every five years whether a school has “committed a material violation of applicable laws or a material violation of the conditions, terms, standards, or procedures set forth in its charter, including violations relating to the education of children with disabilities.”¹⁵ The SRA contains a non-exhaustive list of applicable laws, and DC PCSB also monitors charter schools for compliance with additional laws in annual compliance reviews. The below table discusses the school’s compliance with various requirements from 2011-12 to the time of this report’s publication.

Compliance Item	Description	School’s Compliance Status 2011-12 to present¹⁶
Fair enrollment process D.C. Code § 38-1802.06	DC charter schools must have a fair and open enrollment process that randomly selects applicants and does not discriminate against students.	Compliant since 2011-12
Notice and due process for suspensions and expulsions D.C. Code § 38-1802.06(g)	DC charter school discipline policies must afford students due process ¹⁷ and the school must distribute such policies to students and parents.	Compliant since 2011-12
Student health and safety D.C. Code §§ 38-1802.04(c)(4), 4-1321.02, 38-651	The SRA requires DC charter schools to maintain the health and safety of its students. ¹⁸ To ensure that schools adhere to this clause, DC PCSB monitors schools for various indicators, including but not limited to whether schools: <ul style="list-style-type: none"> - have qualified staff members who can administer medications; - conduct background checks for all school employees and volunteers at least once every two years; and - have an emergency response plan in place and conduct emergency drills as required by DC code and regulations. 	Compliant since 2011-12

¹⁵ D.C. Code § 38.1802.12(c).

¹⁶ See St. Coletta PCS 2010-11 – 2014-15 Compliance Reports, attached to this report as Appendix F.

¹⁷ See *Goss v. Lopez*, 419 U.S. 565 (1975).

¹⁸ D.C. Code § 38.1802.04 (c)(4)(A).

Equal employment D.C. Code § 38-1802.04(c)(5)	A DC charter school's employment policies and practices must comply with federal and local employment laws and regulations.	Compliant since 2011-12
Insurance As required by the school's charter	A DC charter school must be adequately insured.	In 2011-12, St. Coletta PCS was found to be noncompliant with this indicator. The school has been in compliance in this area since 2012-13.
Facility licenses D.C. Code § 47-2851.03(d); D.C. Mun. Regs., tit. 14, §§ 14-1401 et seq.	A DC charter school must possess all required local licenses.	Compliant since 2011-12
Highly Qualified Teachers Elementary and Secondary Education Act ("ESEA")	DC charter schools receiving Title I funding must employ "Highly Qualified Teachers" as defined by ESEA.	Compliant since 2011-12
Proper composition of board of trustees D.C. Code § 38-1802.05	A DC charter school's Board of Trustees must have: an odd number of members, with a minimum of 3 and a maximum of 15; a majority of members who are DC residents; and at least two members who are parents of students attending the school.	Compliant since 2011-12
Accreditation Status D.C. Code § 38-1802.02(16)	A DC charter school must maintain accreditation from an SRA-approved accrediting body approved by the SRA.	Compliant since 2011-12

Procurement Contracts

D.C. Code § 38-1802.04(c)(1) requires DC charter schools to utilize a competitive bidding process for any procurement contract valued at \$25,000 or more, and within three days of awarding such a contract, to submit to DC PCSB all bids received, the contractor selected, and the rationale for which contractor was selected. To ensure compliance with this law, DC PCSB requires schools to submit a "Determinations and Findings" form to detail any qualifying procurement contract that the school has executed.

St. Coletta PCS has not bid out any contracts according to this process over the past four years because, pursuant to its management contract, the school transfers 100% of its revenues to SCGW, which in turn procures all of the goods and services for the school. And because SCGW is not bound to the SRA's procurement requirements, transparency regarding contracting and adherence to conflicting interest transactions requirements, using public funds, is lacking.

Special Education Compliance

Charter schools are required to comply with all federal and local special education laws, including, among others, the Individuals with Disabilities Education Act¹⁹ ("IDEA") and the Rehabilitation Act of 1973.²⁰ As permitted by the SRA,²¹ St. Coletta PCS elected to operate as a "dependent charter" for federal special education purposes, meaning that DC Public Schools works with St. Coletta PCS to track its compliance with special education laws.

Because of its dependent charter status, the school's special education compliance performance is, for the most part, reported by OSSE as part of DCPS' overall compliance performance. The following section summarizes St. Coletta PCS' special education compliance from 2011 to the present.

On-Site Monitoring Report

OSSE periodically conducts an on-site assessment of an LEA's special education compliance with student-level and LEA-level indicators, and publishes its findings in an On-Site Monitoring Report. At the time, if a school was less than 95% compliant with a student-level and/or LEA-level indicator, it was required to implement corrections and report these corrections to OSSE. (Beginning in 2013, LEA's are responsible for being 100% compliant with student-level indicators and LEA-level indicators on On-Site Monitoring Reports.)²²

In 2015, OSSE published an on-site Compliance Monitoring Report of St. Coletta PCS based on the school's performance in 2010-11.²³ The school was required to implement corrections in the following areas.

¹⁹ 20 U.S.C. § 1413(a)(5).

²⁰ 20 U.S. § 794.

²¹ D.C. Code § 38-1802.10(c).

²² If the school was found to be less than 100% compliant with a student-level indicator that could not be cured retroactively, OSSE would identify the point of noncompliance as an LEA-level violation.

²³ See 2010-11 On-Site Monitoring Report Attachments, attached to this report as Appendix G.

On-Site Monitoring Report – Student-Level Compliance			
Compliance Area	Compliant?	Noncompliant indicators	Corrected?
Initial Evaluation and Reevaluation	3 of 4 indicators compliant	Parent consent for reevaluation	Not correctable at student level
IEP	14 of 14 indicators compliant	N/A	N/A
Least Restrictive Environment	3 of 3 indicators compliant	N/A	N/A

Special Conditions Quarterly Reports

OSSE submits quarterly reports to the U.S. Department of Education’s Office of Special Education Programs detailing District of Columbia LEAs’ compliance in three areas: (1) Initial and Reevaluation Timelines; (2) Early Childhood Transition Timelines; and (3) Secondary Transition Requirements. St. Coletta PCS is evaluated in areas (1) and (3) only. The school’s compliance in these areas is detailed in the tables below. It has since cured any notices of noncompliance.

Quarterly Findings – April 2012 through March 2013				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Initial Evaluation Timeline	Compliant	Compliant	Compliant	Compliant
Reevaluation Timeline	Compliant	Compliant	Compliant	Compliant
Secondary Transition	1 of 9 indicators noncompliant	Compliant	Compliant	Compliant

Quarterly Findings – April 2013 through March 2014				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Initial Evaluation Timeline	Compliant	Compliant	Compliant	Compliant
Reevaluation Timeline	1 of 1 indicator noncompliant	Compliant	Compliant	Compliant
Secondary Transition	Compliant	Compliant	Compliant	Compliant

Quarterly Findings – April 2014 through March 2015				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Initial Evaluation Timeline	Compliant	Compliant	Compliant	Compliant
Reevaluation Timeline	Compliant	Compliant	Compliant	Compliant
Secondary Transition	Compliant	Compliant	Compliant	Compliant

Blackman Jones Implementation Review

With compliance requirements pursuant to IDEA and the 2006 Blackman Jones Consent Decree, OSSE manages and oversees the Blackman Jones database that tracks each LEAs' timely implementation of Hearing Officer Determinations and Settlement Agreements (SAs).

As of October 2015, the Blackman Jones Database shows St. Coletta PCS has one open and untimely SA.

SECTION THREE: **FISCAL MANAGEMENT AND ECONOMIC VIABILITY**

INTRODUCTION

The SRA requires DC PCSB to revoke a school's charter if DC PCSB determines that the school:

- Has engaged in a pattern of non-adherence to generally accepted accounting principles ("GAAP");
- Has engaged in a pattern of fiscal mismanagement; and/or
- Is no longer economically viable.²⁴

As part of the charter review process, DC PCSB reviewed St. Coletta PCS's financial records regarding these areas. DC PCSB finds that there are no grounds to revoke the school's charter based on this standard.

SUMMARY OF FINDINGS

A review of St. Coletta PCS's fiscal audits from 2011 to 2014 indicates the school has adhered to GAAP. However, DC PCSB has concerns with the school's fiscal management as it relates to its management agreement with the non-profit organization SCGW. Per this management agreement, St. Coletta PCS transfers all revenues to SCGW, which then pays all of the school's vendors and personnel, and keeps any excess funds as a management fee. St. Coletta PCS's finances are audited separately from those of its management company, but due to the nature of the financial transfers between St. Coletta PCS and SCGW, the school's audits do not provide adequate detail into the school's use of funds. Historically, the school's audits have shown total revenue, and a single expense, comprising all of the school's revenues being transferred to SCGW.

While SCGW has been responsive to DC PCSB's requests for information, the absence of a clear, audited segregation of expenditures between the charter school and other activities of SCGW (including service to non-charter students at the St. Coletta PCS site), makes it impossible for DC PCSB staff to adequately review the fiscal management or economic viability of St. Coletta PCS as an independent entity. Additionally, the process by which SCGW expends all funds on behalf of St. Coletta PCS means that, historically, the school has not submitted procurement contract documentation, as is required by the SRA. Finally, if St. Coletta PCS were to cease operation for any reason, it would be difficult to determine what remaining public funds and physical property should be returned to the District of Columbia, because the school's finances are integrated with those of the non-profit. Representatives from the school and management company met with DC PCSB staff in October 2015 to develop changes to the school's financial reporting that would address these concerns, as discussed above.

²⁴ See D.C. Code § 38-1802.13(b).

FINANCIAL OVERVIEW

The following table provides an overview of St. Coletta PCS’s financial information over the past four fiscal years. Enrollment has grown 11% from 225 students in FY11 to 250 students in FY14. The school’s growing enrollment has resulted in stable annual revenues. However, the school has not generated a surplus over the past four years because the management agreement requires any surpluses to be transferred to the management organization.

	Audit Year			
	2011	2012	2013	2014
Audited Enrollment	225	234	250	250
Total DC Funding Allocation	\$ 14,295,349	\$ 15,086,113	\$ 16,330,522	\$ 16,539,773
Total Federal Entitlements and Funding	\$ 435,644	\$ 324,744	\$ 288,263	\$ 466,302
Unrestricted Cash and Cash Equivalents on 6/30/14	\$ -	\$ 257,950	\$ -	\$ -
Total Assets	\$ 532,850	\$ 1,020,800	\$ 290,824	\$ 988,784
Total Current Assets	\$ 532,850	\$ 1,020,800	\$ 290,824	\$ 988,784
Total Liabilities	\$ 532,850	\$ 1,020,800	\$ 290,824	\$ 988,784
Total Current Liabilities	\$ 532,850	\$ 1,020,800	\$ 290,824	\$ 988,784
Net Asset Position	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 14,755,993	\$ 15,410,857	\$ 16,618,785	\$ 17,006,075
Total Expenses	\$ 14,755,993	\$ 15,410,857	\$ 16,618,785	\$ 17,006,075
Change in Net Assets	\$ -	\$ -	\$ -	\$ -

SPENDING DECISIONS

The following table provides an overview of the school’s spending decisions over the past four years. Due to the school’s management agreement, the school does not report on its spending decisions in its audited financial statements. The school’s financial transactions are embedded in the financial statements of the management company. The below data are estimates supplied by the management organization, but were not included in the audited financial statements of the school or non-profit. These estimates have not been reviewed by an independent, third party.

	Audit Year			
	2011	2012	2013	2014
Total Personnel Salaries and Benefits	\$ 9,860,076	\$ 10,504,070	\$ 11,248,832	\$ 11,376,022
Total Direct Student Costs	\$ 1,268,354	\$ 1,339,425	\$ 1,484,380	\$ 1,522,454
Total Occupancy Expenses	\$ 3,103,819	\$ 2,659,458	\$ 2,791,825	\$ 2,921,955
Total Office Expenses	\$ 130,058	\$ 400,882	\$ 355,639	\$ 353,657
Total General Expenses	\$ 393,686	\$ 507,022	\$ 738,109	\$ 831,987
Operating Surplus/(Deficit)	\$ -	\$ -	\$ -	\$ -
	as a percent of revenue			
Total Personnel Salaries and Benefits	67%	68%	68%	67%
Total Direct Student Costs	9%	9%	9%	9%
Total Occupancy Expenses	21%	17%	17%	17%
Total Office Expenses	1%	3%	2%	2%
Total General Expenses	3%	3%	4%	5%
Operating Surplus/(Deficit)	0%	0%	0%	0%

Per the school's audits, St. Coletta PCS's sole expense is its management fee to SCGW. The school's 2014 audited financial statements included the following note regarding this fee:

Under a management agreement, SCGW provides facilities, equipment, personnel, financial management, operating services, and supplies to the School for a monthly fee equal to the income of the school...During the years ended June 30, 2014 and 2013 the School incurred \$17,006,076 and \$16,617,785, respectively, in management fees...²⁵

ADHERENCE TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Audits of St. Coletta Special Education PCS establish that the school has adhered to GAAP. The auditor expressed unqualified/unmodified opinions on the financial statements, and the school has not received any audit findings.

²⁵ See St. Coletta PCS FY2014 audit, attached to this report as Appendix I.

	2011	2012	2013	2014
Statement Opinion. Required when auditor finds areas of doubt/questionable matters.	Unqualified	Unqualified	Unqualified	Unmodified
Statement Material Weakness. A deficiency in internal control, indicating a reasonable possibility that a material financial misstatement will not be prevented.	No	No	No	No
Statement Non-Compliance. Auditor tests for compliance with certain provisions of laws, regulations, contracts, and grant agreements.	No	No	No	No
Program Opinion (A133). Review of compliance with federal requirements conducted when school receives \$500K+ in federal funds.	Unqualified	Unqualified	Unqualified	Unmodified
Program Material Weakness (A133). Lack of internal control over compliance with applicable laws, regulations, etc.	No	No	No	No
Findings & Questioned Costs. Findings important enough to merit attention by those charged with governance, with documentation of corrective action plans noting the responsible party.	0	0	0	0
Unresolved Prior Year Findings. Disclosure of prior audit findings that have not been corrected.	0	0	0	0
Going-Concern Issue. Indicates the financial strength of the school is questioned.	No	No	No	No
Debt-Compliance Issue. School was not in compliance with certain debt covenants. A debt-compliance issue may prelude insolvency.	No	No	No	No

FISCAL MANAGEMENT

DC PCSB has concerns with the school’s fiscal management as it relates to its management agreement. Per the management agreement, all revenues received by the school are immediately transferred to the management organization, which then pays all of the school’s vendors and personnel. Any excess funds are considered a management fee and retained by the management organization.

This arrangement prevents transparency and raises concerns about segregation of assets and liabilities between the two organizations. While the school and management company have been forthcoming with DC PCSB regarding their finances, the school’s use of DC public funds is not audited separately and apart from the fiscal activities of SCGW. Additionally, because SCGW enters into procurement contracts on behalf of the school, it is not required to adhere to the SRA’s requirements regarding a competitive bidding process.

Finally, the school’s fiscal arrangement would present difficulties if the school ceased operation for any reason. The SRA’s requires a charter school’s assets to be transferred back to the state if the school is dissolved for any reason. SCGW does not track which of its assets were purchased using St. Coletta PCS’s public funding, which would make it difficult for assets and funds to be returned to the state.

ECONOMIC VIABILITY

Given the structure of the management agreement, it is difficult to determine the economic viability of the school as an independent organization. DC PCSB typically reviews school’s financial results in four key areas: (a) operating performance; (b) liquidity; (c) debt burden; and (d) sustainability. However, given that all of the school’s revenues and assets are absorbed by the management organization, DC PCSB staff cannot determine what, if any, financial weaknesses are present.