

**INVESTIGATIVE REPORT OF
THE ATTORNEY GENERAL,
THE AUDITORS OF PUBLIC ACCOUNTS
AND THE STATE DEPARTMENT OF EDUCATION
OFFICE OF INTERNAL AUDIT**

**ALLEGATIONS OF FINANCIAL
IRREGULARITIES, MISUSE OF STATE FUNDS
AND MISMANAGEMENT AT THE HIGHVILLE
MUSTARD SEED CHARTER SCHOOL
HAMDEN, CONNECTICUT**

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DEPARTMENT OF EDUCATION – OFFICE OF INTERNAL AUDIT

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EXECUTIVE SUMMARY

INTRODUCTION

This report details the results of an intensive joint investigation by the Office of the Attorney General, the Auditors of Public Accounts and the State Department of Education (“SDE”) Office of Internal Audit into allegations of serious mismanagement and financial impropriety by the Executive Director and others associated with the Highville Mustard Seed Charter School (“School”), a public charter school located in Hamden, Connecticut.

Our joint investigation was prompted by information received by the SDE Office of Internal Audit, the Attorney General’s Office and the Auditors of Public Accounts relating to concerns about misuse of School funds and serious mismanagement of the School’s resources, principally by Lyndon Pitter, the School’s founder and Executive Director.

Our investigation did not concern educational performance by the School, which has become an established learning center. Our investigation, rather, was limited to scrutinizing serious and highly troubling allegations of financial mismanagement and misuse of State funds occurring at the School while Lyndon Pitter was the School’s Executive Director. Our primary purpose is to ensure that State taxpayer dollars are being utilized properly.

However commendable the School’s mission, Lyndon Pitter is responsible for significant fiscal mismanagement and irregularities. Other individuals share some of the responsibility for this mismanagement.

Our investigation disclosed a pattern of financial abuses and management irregularities at the School:

FINDINGS AND CONCLUSIONS

- Lyndon Pitter, the School's Executive Director, made \$78,539 in questionable charges to the School's credit cards from June 1999 to November 1999. Clearly personal credit card charges of \$28,192 included Armani suits, cashmere scarves, silk pajamas, luggage, a down payment on a car, and toys and games from FAO Schwartz. Other questionable charges included \$6,000 in electronics, a stay in New York City on a Fourth of July weekend, restaurant bills, rental cars, limousine service and Blockbuster video costs. The School sought recovery of only \$12,000 of these charges, characterizing them as a loan due from Pitter, and Pitter has not fully repaid even that amount.

- Lyndon Pitter's former wife, Nadine Pitter, the School's Associate Director, was paid her full salary during the 2003-2004 School year while attending -- during School work time -- Naugatuck Valley Community College for a nursing degree. The School's salary

overpayments to Nadine Pitter for the School time she did not work total \$27,849, none of which has been repaid to the School.

- Lyndon Pitter received \$57,539 in salary advances from the School between August 2001 and September 2004 and has repaid only \$23,880.

- Lyndon Pitter charged \$1,521 in personal, international long distance calls to the School's account in fiscal years 2003, 2004 and 2005 and has repaid only \$544 of these charges.

- Lyndon Pitter charged numerous questionable travel expenses to the School including travel for Nadine Pitter and the Pitter children to San Francisco and Jamaica. Pitter also charged to the School two round trip airline tickets from Minneapolis to Hartford for Nadine Pitter's husband, Bryan Webster.

- Lyndon Pitter hired his own family members and family members of the School staff and the School's Board of Directors for work at the School. These hirings included Pitter's former wife, Nadine Pitter; Nadine Pitter's cousin, Dezroy Stewart; the sister of a former School Board Chairperson; the parents of the School Board Treasurer; the wife of the School's Director of Curriculum and Instruction, and the wife of the School's former Chief of Staff while he was the Chief of Staff. Nadine Pitter had no degrees or background in education, and at least two of the individuals hired in teaching positions had no teaching certificates.

- Lyndon Pitter's compensation (\$120,782) appears to be well above the compensation for comparable positions in public education and non-profit organizations. For example, in 2005, Lyndon Pitter's salary as Executive Director of a 300 student charter school was higher than the salary of Hamden's Assistant Superintendent of Schools (\$117,000) and well above the compensation of the principal of the 948 student Hamden Middle School (\$105,530).

- Nadine Pitter's compensation (\$69,332) as the School's Associate Director appears to be excessive considering the narrow scope of her job responsibilities, which by her own admission did not include any administrative, financial, or supervisory responsibilities, but rather, were limited to being in charge of community and parent relations at the School. Furthermore, Nadine Pitter's appointment as Associate Director is highly questionable considering that Nadine Pitter does not have a four-year degree from any college or university, and the position specifically requires the School's Associate Director to have a bachelor's degree from a college or university.

- Although he owes the School \$83,069.97 in unpaid personal credit card charges, salary advances and salary overpayments, Lyndon Pitter is asking the School to pay him an additional \$112,140.58 in unsubstantiated and undocumented alleged past expenditures. Lyndon Pitter's attorney, John Gesmonde, who submitted Pitter's new payment demand to the School, is now Chair of the School's Board of Directors.

- Lyndon Pitter submitted falsified college and master's degree diplomas from the University of the West Indies to the School Board and to this investigation. He does not have a four year college degree or a master's degree from the University of the West Indies.

- A no-bid contract for renovation work at the School was awarded to a close personal friend of the School's Chief Financial Officer, Dezroy Stewart, and the contractor was paid \$9,000 more than the contract allowed.

- The School administration failed to complete an application for a \$500,000 school building grant and, consequently, never received the grant which could have been used for building improvements and renovations.

- Prior to 2005, the School's Board of Directors failed to fulfill its governance and oversight responsibilities. During that time period the Board failed to properly evaluate Lyndon Pitter's performance, failed to review Lyndon Pitter's educational background or the educational background of personnel hired by Pitter, failed to conduct salary comparisons in establishing Lyndon Pitter and Nadine Pitter's compensation, failed to hold Lyndon Pitter or Nadine Pitter accountable for the funds they wrongfully obtained from the School, and failed to review Lyndon Pitter's practice of hiring his own relatives and relatives of School staff and Board members.

- In October 2005, the Board of Directors approved several needed policies, including a Revised Governance Compact and a Conflicts of Interest policy in an effort to improve its performance relating to school governance, conflicts of interest, financial management and academic leave. The current Board of Directors has not, however, taken any steps to recover any money owed to the School by Lyndon Pitter and Nadine Pitter and now has named Lyndon and Nadine Pitter's personal attorney as Chair of the School's Board of Directors.

RECOMMENDATIONS

- Lyndon Pitter owes the School \$83,069.97, and the School should recover that money from him. The \$83,069.97 owed by Pitter are from State taxpayer funds provided to the School. The Department of Education already has recouped from the School \$22,278.97 owed to taxpayers, and it should recover the remaining \$60,791.

- If the School pays any portion of Lyndon Pitter's new, undocumented and unsubstantiated claims against the School, the Department of Education should hold the School responsible for any State funds the School may use to pay Pitter.

- Lyndon Pitter should no longer be employed by the School and the Department of Education should refuse to provide any funds for Pitter's compensation.

- Nadine Pitter should be removed from her position as Associate Director. If she remains as a school nurse, her salary should be commensurate with similar positions in

other schools. State funds should also not be used to pay for positions requiring State certification, if the individual in the position does not have State certification.

- The Department of Education should confirm that the School establishes an appropriate contracting process that includes public, competitive bids for the purchase of goods and services. The Department must also confirm that the School adopts an appropriate employment process and procedure, establishing reasonable compensation levels consistent with comparable positions at other educational or non-profit institutions and ensuring that all State certification requirements for employees are met.

- The Department of Education should confirm that the School implements and adheres to policies that prohibit the personal use of School facilities, equipment or supplies by School employees. The Department must also confirm that the School's travel policies ensure that all travel is reasonable and appropriate for School purposes, that all requests for reimbursement are documented and timely, and that reimbursement is not allowed for travel expenses of relatives of School employees.

- The School Board must work with the Department of Education to ensure that all Board members understand their legal and fiduciary responsibilities. The Board must also establish policies and procedures for advance Board approval of contracts and expenditures above a certain dollar amount and must conduct regular performance reviews of School Administrators, holding them accountable for poor performance or misuse of School funds.

- The School Board members must have defined term limits and establish a search committee to recruit and recommend new members.

- The Department of Education should require more detailed expenditure reporting for all charter schools in the State, including disclosure of all related party transactions or compensation and all forms of compensation paid to charter school administrators.

- The Department of Education should increase the staffing levels of its Charter School Program Office and establish a training program for all charter school governing council members and administrators in the State.

- The Department of Education should submit legislation establishing a process for the appointment of a receiver for charter schools that may have serious financial or operational problems to protect the students and the financial resources of the charter schools.

CONCLUSION

After years of financial irregularities and mismanagement by its Executive Director, and lax oversight by its Board of Directors, the School and the Department of Education must work together to adopt sound management, accounting and personnel policies and procedures. Such policies and procedures must ensure that State taxpayer dollars are

spent solely for the benefit of the School and its students, and that the administration of the School is transparent and accountable to the State and the School community.

REPORT
SUMMARY OF INVESTIGATIVE FINDINGS AND
RECOMMENDATIONS

1. Misuse of School Credit Cards

- The School’s Executive Director, Lyndon Pitter, misused the School’s credit cards for unauthorized purchases of a personal nature amounting to at least \$28,192. These charges include, but were not limited to, the purchase of cashmere scarves, silk pajamas and Armani suits from Saks Fifth Avenue in Colorado, totaling \$5,871.70; \$4,246 of personal apparel from the Whalley Sample Shop in New Haven; a \$4,000 down payment on a car; various gift items totaling \$2,061 from the Regency Gallery in New York; leather/luggage goods from Colorado Baggage totaling \$1,952.86; and, \$936.37 worth of toys and games from FAO Schwartz in New York. An additional \$50,347 in other credit card charges by Lyndon Pitter have been identified as questionable due to the personal nature of the expenses. These charges occurred during the 5-month period between June 1999 through November 1999, at the end of the School’s first year of operation through the summer, and into the start of the second School year.
- Our investigation revealed that the School requested Lyndon Pitter to repay as a “loan” only \$12,000 of the \$28,192 in personal expenses charged to the school and that this “loan” was not fully repaid. Lyndon Pitter has suggested in his testimony that he was authorized by the School Board Chair to use the School’s credit card to supplement his income for deferred salary. The former School Board Chair disputes Pitter’s contention, and we found no credible evidence to support Pitter’s claim.

2. The School’s Associate Director Received Full Salary While Attending College

- In 2004, an independent public accountant found in its 2004 Single Audit Report that Nadine Pitter, former spouse of Lyndon Pitter, continued to receive full salary while attending Naugatuck Valley Community College during work hours for an Associate’s degree in nursing. Our investigation confirmed this finding, and there was no evidence that the Board approved these salary payments. Lyndon Pitter acknowledged that he authorized his former spouse to attend college while receiving full salary. He also agreed to repay the School the \$22,279 improperly paid to Nadine Pitter, but he has not made this repayment. In addition, our investigation identified an additional \$5,570 due to the School related to Nadine Pitter’s continued study at the Naugatuck Valley Community College after the 2004 audit.

3. Nepotism and Conflicts of Interest Involving Employment at the School

- Our investigation revealed a pattern of the School’s Executive Director, Lyndon Pitter, employing his own family members in positions within the School’s Administration, as well as employing relatives of School Board members and other

School Administrators. This practice is particularly troubling considering that the School is defined as a “public” school under Connecticut law, and that the School is funded primarily by State taxpayer dollars.

- The School’s Associate Director, Nadine Pitter, is the former wife of Lyndon Pitter. Although they were divorced in 1995, Lyndon Pitter and Nadine Pitter had a continuing relationship in which they presented themselves to the School community as a married couple. The evidence developed from our investigation shows that Lyndon Pitter and Nadine Pitter have lived and presently live in the same household, and that they are the parents of four children with joint financial obligations in raising them.
- The School’s former Chief Financial Officer, Dezroy Stewart, is the first cousin of Nadine Pitter. Stewart also is a cousin-in-law by marriage of Lyndon Pitter by virtue of the fact that Stewart’s aunt married Lyndon Pitter’s brother.
- Lyndon Pitter also employed the sister of a former School Board Chair, the parents of the School Board Treasurer, the wife of the School’s Director of Curriculum and Instruction, and the wife of the School’s Chief of Staff.
- In addition to the obvious financial benefits, these employment practices resulted in conflicts of interest that allowed Lyndon Pitter, as Executive Director, to increase his financial and operational control of the School.

4. The Compensation of the Executive Director, the Associate Director and the Former Chief Financial Officer Appears To Be Excessive

- Our investigation found no evidence that the School Board approved the salaries of the School’s Executive Director, Associate Director or former Chief Financial Officer who earned in 2004, \$122,946, \$57,325 and \$117,765, respectively. There were no employment agreements or other evidence that the School Board considered salary studies or other compensation data for these positions. The salaries paid to these individuals appear to be excessive in comparison to similar positions and/or in relation to the background, experience or credentials of these individuals, or considering the job responsibilities associated with their positions. Finally, the compensation of the Executive Director and Associate Director appears to be particularly excessive considering that both lack *any* related education credentials for their respective positions.

5. The Executive Director Used the School’s Telephone for Extensive Personal International Calls, and the Executive Director and Associate Director Charged Questionable Travel Expenses to the School

- Our investigation confirmed that Lyndon Pitter used the School’s telephone for personal long-distance international calls, and that certain of his travel costs are questionable. The Executive Director used the School’s telephone for international

calls to Jamaica that he admitted to be of a personal nature amounting to at least \$1,521. These charges occurred during the fiscal years ending June 30, 2003, through June 30, 2005. To date, Pitter has repaid only \$544 of these charges. The questionable travel costs include the School's payment of the travel expenses of the Pitter children, as well as the amount of travel expenses paid to Lyndon and Nadine Pitter. The questionable travel expenses include travel to San Francisco, California in July 1999, by Lyndon Pitter, Nadine Pitter and the Pitter children; to Denver, Colorado in October 1999, by Lyndon Pitter; to Jamaica in July-August 2000 by Lyndon Pitter, Nadine Pitter and the Pitter children; and to Australia in March 2002 by Nadine Pitter. Furthermore, these questionable travel expenses include payment by the School of unsubstantiated per diem costs and expenditures, including an \$800 per diem check issued to Lyndon Pitter for his trip to Denver, Colorado in October 1999.

6. The Executive Director Received Significant Salary Advances from the School and an Unusual Pattern of Personal Loans from the Chief Financial Officer

- The Executive Director received salary advances totaling \$57,539 from the School from the period between August 2001 and September 2004, including a \$20,000 salary advance in August 2001. Most of these advances to the Executive Director lack written agreements. Five written salary advance agreements were disclosed by the forensic audit and were for varying terms with no interest provisions. As of the date of this report, Pitter has not repaid \$23,880.88 of these salary advances.
- The Executive Director and former Chief Financial Officer engaged in an unusual pattern of personal loans of an unconfirmed nature and amount. During the calendar year 2004, Dezroy Stewart loaned in excess of \$10,000 of his personal money to Lyndon Pitter. There were weekly and sometimes bi-weekly payments from the former CFO to the Executive Director in amounts ranging from approximately \$100 to over \$1,400. In one instance, Stewart paid for the Executive Director's car insurance. According to testimony, these loans occurred throughout Stewart's employment at the School and were repaid by Pitter, in cash, generally when payroll was issued.

7. A No-Bid School Renovation Contract Was Awarded to a Related Party

- Our investigation revealed that a no-bid contract for renovation work to the School facility was awarded to a close, personal friend of Dezroy Stewart, while Mr. Stewart was serving as the Chief Financial Officer of the School. The total cost for work performed by this contractor from 2001-2004 amounts to \$137,520. There is no evidence of School Board approval of this contractor, although evidence and testimony suggests that Lyndon Pitter was well aware of the personal relationship and involved in the projects. We have no evidence that the contract price was unreasonable for the scope of work. However, our analysis of billings indicates that the contractor was paid approximately \$9,000 more than allowed under the terms of the contract.

- Although charter schools currently are not required by statute or regulation to put their construction or renovation work out to bid, traditional public elementary and secondary schools receiving State grant assistance are required under Chapter 173 of the Connecticut General Statutes to use an open and competitive bid process, and to award such contracts to the lowest bidder. We recommend that the SDE consider recommending legislation requiring charter schools receiving State grant awards for construction or renovation work, to use an open and competitive bidding process for such charter school construction or renovation work. Such legislation would be similar to the requirements set forth in Connecticut General Statutes § 10-287 (c), which require public school building construction projects receiving State financial assistance under Chapter 173 of the Connecticut General Statutes to award contracts or orders costing ten thousand dollars or more “to the lowest responsible qualified bidder only after a public invitation to bid.”

8. *Improper Use of School Building and Facilities*

- Our investigation confirmed that a “summer camp” program was operated at the School during the summer of 2004 that was an independent business venture not accounted for through the School’s accounting system. The program utilized the School building facility and resources to an extent that we were unable to determine. Based upon available records, the program was run by School staff paid by program fees that were collected in cash. Program staff included a child of Lyndon and Nadine Pitter. Dezroy Stewart, the School’s former Chief Financial Officer, requested that the School be compensated at least \$500 for use of the School’s facilities. It was only after Stewart made this request for compensation for using the School’s facilities that Lyndon Pitter paid \$500 on the last days of the summer camp program to Dezroy Stewart, who deposited the money in the School’s account. We also found no evidence of licensing or insurance for this program. The School has a written policy concerning using the building for community purposes which appears not to have been followed.
- Our investigation also confirmed that the School’s former Food Service Director utilized the School’s facilities to operate a private catering business for 5-6 years while he was employed by the School. The extent of this business and the level of knowledge by the School’s Administration could not be confirmed. The School’s former Food Service Director, did not pay, nor was requested by Lyndon Pitter or Dezroy Stewart to pay, any monetary compensation for using School facilities for his private catering business.

9. *Other Issues of Financial Abuse or Mismanagement*

- Our investigation revealed that the School mismanaged the process for obtaining a school building grant. Specifically, the School failed to obtain \$500,000 in available State grant funds to support costs for school building improvements and renovations. The evidence suggests that this may be due to the School Administration’s failure to

prepare a proper and complete grant application to the SDE to support such grant funds.

10. Lyndon Pitter Is Seeking an Additional \$112,140.58 in Unsubstantiated Expenses from the School

- The evidence obtained in our investigation shows that Lyndon Pitter currently owes \$83,069.97 to the School. This amount includes the confirmed unauthorized personal charges to School's credit card; the \$22,278.90 identified in the 2004 independent audit as the amount of salary that the School overpaid to his former wife, Nadine Pitter, while she attended college to obtain a nursing degree, which Lyndon Pitter expressly acknowledged by letter to the School Board that he would repay the School; unpaid telephone expenses relating to calls of a personal nature, as well as the significant salary advances that Lyndon Pitter has not paid back to the School to date.
- Through his attorney, John Gesmonde, who also is currently serving as the Chair of the School's Board of Directors, Lyndon Pitter submitted to former School Board Chair, Mitchell Young, a reimbursement claim for \$112,140.58 to the School for certain past expenses that he indicates were incurred by him for School-related activities, but not reimbursed by the School. Pitter's reimbursement claim includes \$36,000 for unpaid salary for 1998, \$36,755.56 for unpaid personal mileage dating back to 1998, and \$29,554.07 for accommodation cost for three foreign exchange teachers. Our scrutiny and analysis of all aspects of Pitter's reimbursement claim leads us to conclude that the validity of this claim is highly suspect. In fact, this reimbursement claim appears to be simply an attempt by Pitter to offset claims *against* him associated with the School.

11. Falsified Diplomas and Providing False Testimony Under Oath

- In order to evaluate the fairness of executive compensation, we sought information concerning the educational background of certain Administrators at the School. During our investigation the School's Executive Director, Lyndon Pitter, gave false testimony under oath several times about his educational qualifications and also submitted a falsified resume and falsified diplomas representing that he had a Bachelor's degree and a Master's degree from the University of the West Indies. We obtained confirmation from the University of the West Indies stating that the University Registrar had no record of Lyndon Pitter having received any degrees. When we asked Lyndon Pitter what his response would be if we told him that the University of the West Indies had no record of his having received any degrees, Pitter stood by his earlier statements that he had earned both degrees. It was not until a break in the examination under oath that Pitter's attorney advised us that Pitter wanted to correct the record regarding his degrees. After being shown documentation from the University of the West Indies, Pitter stated on the record that he wished to recant his earlier testimony and to withdraw the falsified diplomas and falsified resume from the record. We offered Pitter an opportunity to explain why he had provided the false diplomas and had testified several times under oath that he had

these degrees. Pitter declined the offer to allow him to explain his actions in this regard.

12. Failures in School Governance prior to the 2005-2006 School Year

- Prior to the 2005-2006 School year, and as detailed below, the School's Board of Directors failed to properly fulfill its governance and oversight responsibilities. The School Board lacked autonomy and independence from the Executive Director, and, as a result, failed to exercise proper oversight of the School's operation. Most of the School Board members, who were actively recruited and selected by Lyndon Pitter, lacked relevant experience and training in their roles and responsibilities.
- The School Board failed to define Lyndon Pitter's role as the School's Executive Director. There is no evidence that the School Board conducted regular, timely or diligent evaluations of Lyndon Pitter in his role as Executive Director. Furthermore, there is no evidence that the School Board ever formulated clear performance objectives, benchmarks or goals against which the Executive Director was to be measured.
- Similarly, the School Board failed to hold Lyndon Pitter accountable for his financial mismanagement and serious misuse of the School's resources, until the 2004 independent audit report was issued. For example, there is no evidence in the record that the School Board made any effort to determine how much Lyndon Pitter had charged on the credit cards, or to recover the amount that Pitter owed to School based on those unauthorized personal charges. There is no evidence in the record of any formal reprimand of Lyndon Pitter, or of any other type of disciplinary action taken against Lyndon Pitter by the Board for these abuses. The Board also failed to exercise sufficient due diligence in holding Lyndon Pitter accountable for repaying the significant loan advances he received from the School between August 1, 2001, and September 20, 2004.
- Prior to 2005-2006 School year, the Board of Directors appears to have yielded effective control of the School to Lyndon Pitter. The School Board did not seek or request information on matters involving significant School resources. The Board had no input into what was to be discussed at its Board meetings, instead allowing Lyndon Pitter to set the agendas for all Board meetings without consulting with or notifying the Board of Directors before the meeting. The minutes, resolutions and other records of the School's Board of Directors also lack substance, detail and clarity about the proposed or approved actions of the Board.
- The Board of Directors failed to identify, disclose and resolve the actual and apparent conflicts of interest that permeated all levels of the School. The Board of Directors never approved any policy or process relating to handling situations posing actual or apparent conflicts of interest at the School. Two members of the School Board, including the Board Chair and Board Treasurer, had close relatives who worked at the School. The Board members never formally disclosed these potential conflicts of

interest to the full Board of Directors. Similarly, the School Board did not identify or discuss the actual or apparent conflicts of interest at the School relating to Nadine Pitter's employment as Associate Director or to Dezroy Stewart's employment as the Chief Financial Officer of the School.

13. Remaining Concerns about Governance and Management at the School

- The current Board of Directors has made efforts to improve the governance of the Highville Mustard Seed Charter School, but concerns remain about the Board's oversight of the organization and operation of the School. The current Board of Directors approved several policies, including a Revised Governance Compact and a Conflicts of Interest Policy, and took certain actions relating to School Board governance, conflicts of interest, financial management and academic leave.
- During the 2005-2006 School year, the School paid two School Administrators' spouses, neither of whom had teacher certification, salaries corresponding with their contracts for positions that required teacher certification. One of these spouses worked at the School as Lyndon Pitter's personal executive assistant while being paid a salary delineated in her contract to be a musical theater teacher. The other spouse ran a School learning enhancement program called "Operation Sage", even though she was paid a salary corresponding with her contract to be the School's Intervention Specialist, a position requiring teacher certification. By contrast, other uncertified teachers at the School who were not related to School Administrators, were terminated on the grounds that they did not have teacher certification.
- The current Board of Directors also has not taken any steps to recover money owed to the School by Lyndon and Nadine Pitter and has not held Lyndon Pitter or Nadine Pitter accountable for their misuse of School funds and other wrongdoing during their employment at the School. This unwillingness on the part of the current School Board continues to raise serious concerns about the present Board's objective judgment with respect to Lyndon Pitter and Nadine Pitter. John Gesmonde, Esq., the attorney for Lyndon Pitter and Nadine Pitter throughout this investigation, is currently the Chair of the School's Board of Directors, and this raises additional questions about the School Board's ability to exercise objective judgment with respect to Lyndon Pitter and Nadine Pitter.

RECOMMENDATIONS

The recommendations which follow are based upon the findings contained in this report. In addition, we have made recommendations to enhance monitoring protocols over charter schools that should be useful in minimizing the potential for financial improprieties to occur and not be detected in a timely manner.

Recovery of State Grant Funds

The investigation identified financial improprieties and misuse of State funds by individuals associated with the School. As such, we recommend that:

1. Our report identified \$83,069.97 as owed by Lyndon Pitter to the School. The School should obtain the \$83,069.97 owed by Lyndon Pitter to the School. The SDE has already recouped \$22,279 of this amount from the School since these are State taxpayer funds. The SDE should recover the remaining \$60,791, which is the difference between \$83,069.97 and the amount that the SDE already has recouped from the School.
2. State grant funds should not be used to pay any portion of the claim submitted by Lyndon Pitter to the School in the amount of \$112,140.58. The SDE should seek recovery of any State grant funds that may be used to pay these undocumented and apparently baseless claims.

Remove or Reassign Members of the School Administration

The investigation identified significant management abuses by Lyndon Pitter as the School's Executive Director that resulted in the numerous financial and management improprieties identified in this report. Issues associated with Nadine Pitter, his former spouse, in her role as Associate Director are also detailed in this report. Consequently, we recommend that:

3. Lyndon Pitter should no longer be employed by the School, and the SDE should refuse to provide any funds for Pitter's compensation.
4. Nadine Pitter should be removed from the position of Associate Director of the School and she should neither serve nor function in any Administrative position. However, if she is to remain in the position of School nurse, her salary should be based upon comparable salaries in the industry, a written employment contract should be executed, timesheets prepared, and the position should be approved by the School Board, and she should be evaluated regularly. Except within this narrow context, we recommend that no further State funds for compensation of Nadine Pitter be allowed by the SDE in association with the School.

Improve Controls Over The School's Financial Administration

The investigation disclosed issues associated with a lack of proper controls over the financial administration of the School. Nepotism was also found to be a factor in the circumvention of controls. As such, we recommend that:

5. The SDE should require that the School hire, through a publicly advertised hiring process, a permanent Finance Manager, or similar position, rather than a contract employee. The SDE should confirm that proper reporting protocols are established between the School Board and this position.

6. The SDE should confirm that the School establishes an appropriate contracting process for procuring and obtaining goods and services for the School. This process should include public, competitive bids.
7. The SDE should confirm that the corrective action plan provided to the SDE by the Board was implemented and fully addresses the issues contained in the School's 2005 independent audit.
8. The School Board should require that any community or private use of the School's facility follow a properly approved and adopted policy. Proper insurance or licenses should be required and State funds should not be used to subsidize private enterprises.
9. The School Board should implement policies that prohibit the use of School telephones, equipment, supplies and facilities for personal purposes.
10. The School Board should review the School's travel policy to ensure that School related field trips and conferences are reasonable and necessary. All such travel reimbursed by the School should be documented and timely. The School should not pay the travel expenses for children of School Administrators, teachers or staff, except to the extent that they are School students and the same opportunity is afforded to other School students.

Compliance with State Laws and Regulations

The investigation disclosed practices that were not in compliance with State laws and regulations. In particular, we recommend:

11. The SDE should reconfirm whether State certification is required for the current position occupied by the spouse of the Director of Curriculum and Instruction at the School. State funds should not continue to support this individual's salary if it is confirmed that her position requires State certification, and that she has not obtained such certification.

School Board and Governance Improvements

The investigation identified various School Board and governance failures that provided the opportunity for management irregularities to occur at the School and not be addressed in a timely manner. Although the current School Board has issued new Board policies and procedures addressing issues such as conflicts of interest and salary advances, we recommend the following:

12. The School Board should establish a committee charged with recruiting and recommending new members for appointment to openings on the School Board. Policies and procedures should be developed to define the role and process of this committee.

13. The School Board should ensure that Board members adhere to term limits and that the full Board vote on reappointments.
14. The School Board should consider establishing an audit committee charged with ensuring that independent audit findings are addressed and audits are conducted as required by the State. Results of the audits should be provided in a timely manner to the full Board and corrective action plans approved by the full Board.
15. The School Board should establish proper reporting relationships between the School Administration and the School Board that include regular performance evaluations, as well as approval of employment contracts and compensation.
16. The School Board should work with the SDE Charter School Program Office to ensure that new Board members are trained so that they understand their legal and fiduciary roles and responsibilities as Board members.
17. The School Board should define and establish the policy and procedures for advance review and approval by the Board of contracts and expenditures above a certain dollar amount.
18. The School Board should define their roles and responsibilities for the review and approval of hires, dismissals and for setting compensation of the School's employees.

Other Oversight Improvements

In addition to the previous recommendations, we identified certain areas of oversight that should be strengthened or considered for improvement. In this regard, we recommend:

19. The SDE should consider working with the State legislature to modify State statutes associated with the charter school program as follows:
 - a. The SDE should consider the feasibility of legislation that would establish a process for appointing a receiver for a charter school that has serious financial or operational problems that would warrant intervention to protect the students or financial resources of the charter school.
 - b. The SDE should consider recommending legislation requiring charter schools receiving State grant awards for construction or renovation work, to use an open and competitive bidding process for such charter school construction or renovation work. Such legislation would be similar to the requirements set forth in Connecticut General Statutes § 10-287 (c), which requires all contracts for public school building construction projects receiving State financial assistance under Chapter 173 of the Connecticut

General Statutes to award contracts or orders costing ten thousand dollars or more “to the lowest responsible qualified bidder only after a public invitation to bid.”

20. The SDE should review and modify the charter school expenditure report Form ED001C to include a requirement that all related parties be disclosed, as well as compensation of specified management. Further, the SDE should require that the non-profit organization operating the charter school submit a copy of its federal tax return Form 990. This information should be reviewed for reasonableness.
21. The SDE should consider the need for additional staffing for the Charter School Program Office. At present, one program manager has responsibility for monitoring all the charter schools in Connecticut. This staffing consideration is especially important as more charter schools are approved throughout the State of Connecticut.
22. The SDE Charter School Program Office should establish a training program for charter school governing council members and for charter school administrators to ensure that the governing council members and charter school administrators fully understand their legal and fiduciary roles and responsibilities.

BACKGROUND

Connecticut General Statutes §§ 10-66aa through 10-66hh authorize the State Board of Education on or after July 1, 1997, to grant, within available appropriations, charters for local and state charter schools in Connecticut. Local charter schools are funded by local or regional boards of education. State charter schools are funded through the State Department of Education (“SDE”). A charter school may be established by a group of teachers, parents, and community members to offer a range of educational programs, small class size, and enhanced teacher-parent communication. These schools are required to be nonprofit entities under state law and are generally governed by a Board of Directors or governing council.

In December 1997, Lyndon Pitter submitted an application for a state charter school to be located in the Hamden/New Haven area that would include 250 students in grades Pre-K through 8th grade. The charter was granted for a five-year period by the State Board of Education and the Highville Mustard Seed Charter School (“School”) opened in September 1998 as one of the first State charter schools to be authorized under the new law.

The Highville Mustard Seed Development Corporation, Inc.,¹ a nonprofit organization, operates the Highville Mustard Seed Charter School. The School opened with approximately 150 students and had an enrollment of 302 students as of October 2005. Maximum enrollment authorized for the School is 300 students for which the School was given a grant by the SDE in the amount of \$7,625 per student, amounting to \$2,287,500, for the fiscal year ending June 30, 2006. This funding source represents approximately 90% of the revenue for the School with the remaining revenue from Federal School Breakfast and Lunch Programs, other public and private grants, program fees, and other contributions.

The School’s October 2005 student enrollment data submission to the SDE reports 86 Pre-K and 48 Full-Day Kindergarten students representing 44% of the student population. According to the School’s 2003 Charter Renewal Package, student enrollment was projected at 60 Pr-K and 27 Kindergarten students representing 29% of the projected 300 student population. Based on October 2005 reported enrollment, Grades 1 and 2 had over 30 students each and Grades 3-8 had 20 or less students per grade. Only two other

¹The Highville Mustard Seed Development Corporation, Inc. (“Highville Development Corporation”), is a non-stock corporation that was organized under the laws of Connecticut in July 1997. The Highville Development Corporation’s Certificate of Incorporation was amended in May 1998 to include among the list of its charitable activities the ability “to operate an educational facility known as a Charter School and organized under the laws of the State of Connecticut.” The Highville Charter School thus technically operates under the Highville Development Corporation. Since the opening of the Highville Charter School, the Highville Development Corporation has not had a significant funding source beyond State funds, which annually account for approximately 90% of the School’s operating budget, as well as certain federal funds. Furthermore, since the School began operating in September 1998, the Highville Development Corporation has not engaged in any significant activities separate and beyond those connected with the operation of the School.

charter schools in Connecticut reported Pre-K students for October 2005, namely Integrated Day Charter School (16 Pre-K out of a total enrollment of 300) and Side by Side Community School (35 Pre-K out of a total enrollment of 235).

According to the original charter application, governance of the School is the responsibility of the Board of Trustees appointed by the Board of Directors of the Highville Mustard Seed Development Corporation. The application states that the Trustees would be comprised of 12-15 members from various community groups to serve for a period of three years. Day-to-day operation of the School is the responsibility of the “School Management Team”, which, in turn, is to serve as an advisory group to the Board of Trustees, and which is to be comprised of fourteen members including parents, three School staff, the Principal, and the Resource Development Manager. The charter application also states that the Principal or Head of School is accountable to the Board and “will be responsible for implementing and maintaining curriculum, policies and practices set forth by the Board.” The charter application also states that “[t]he School staff and faculty will be accountable to the Academic Dean (Principal).”

In January 2003, the School began the process of applying for renewal of its charter. This involved a formal application and a structured review process conducted by the SDE. The review resulted in a recommendation by the Commissioner of Education to the State Board of Education that the School’s charter be renewed for an additional five years. The State Board of Education renewed the School’s charter through the period ending June 30, 2008.

Previous and Ongoing Issues Monitored by SDE

During the School’s first five year operating period, certain financial and programmatic issues developed which were of significant concern to SDE’s Charter School Program office. Initially, these issues were centered on the financial stability of the School. In 2001, additional issues arose concerning appropriate grade-level CMT testing at the School. These issues were addressed sufficiently by the School’s Board and Administrative team such that the charter was ultimately renewed in 2003. In brief, the following represents these issues and the School’s response or solution:

- **Financial Stability** – The School experienced deficits of approximately \$400,000 a year for the first two years of operation. The audited financial statements of the Corporation for the fiscal years ended June 30, 2000, 2001, and 2002, contain a note to the financial statements concerning “Continuance of Operations.” The note states that the Corporation’s current liabilities exceed current assets by approximately \$770,000, \$641,000 and \$314,000, as of June 30, 2000, 2001, and 2002, respectively.

Based upon this information, the SDE requested that the School prepare a corrective action plan to address the deficit spending and cash flow concerns noted in these audit reports. Lyndon Pitter, the Executive Director of the School, responded with a plan that included reduced expenditures coupled with increased

revenue due to expanded enrollment and other revenue sources. The Continuance of Operations note was removed from the June 30, 2003 year end financial statements.

- **Connecticut Mastery Test (CMT)** – In December 2001, two former teachers of the Highville Mustard Seed Charter School wrote a letter to the SDE alleging that the School did not properly administer the CMT. These former teachers indicated in the letter that students were not being given the appropriate grade level tests in all cases. As a result, the letter stated they felt no alternative but to resign their positions with the School. The SDE initiated an investigation into this matter through the Department’s Bureau of Student Assessment and Testing. In a letter issued to Mr. Lyndon Pitter dated February 20, 2002, the SDE Bureau Chief states, in part:

Based on our investigation of this matter, we believe that Highville Mustard Seed Charter School has compromised the validity of its CMT results by improperly excluding students from taking appropriate level tests. This finding is based upon your use of an inappropriate policy and the apparent inconsistent data filed with the CSDE by Highville regarding retention and enrollment. It is troubling that this data does not match what was found during our investigation.

During the renewal process, the review team indicated that the CMT testing protocol issue appeared to have been resolved. The report to the State Board of Education recommending renewal of the charter cited improvements in CMT scores by the School for the 2000-2002 period as evidence of demonstrated educational progress. The report cautioned about generalizing the test results because of the small number of students in each grade and noted that the School changed from multi-age/multi-grade groupings to single grade classrooms in 2002 to comply with State testing practices.

Additional allegations were raised during the course of this investigation concerning the School’s CMT testing process. Such allegations were considered outside the scope of this investigation since analysis would require specialized expertise in CMT testing protocols. Therefore, this information was provided to the SDE for review by the Bureau of Research, Evaluation and Student Assessment.

The School’s CMT test results appear to reflect progress in academic achievement during the last few years since charter renewal. During these years, an experienced and certified Director of Curriculum was hired by the School at the express recommendation of the SDE. This individual, in coordination with the School’s teaching staff, has made apparent improvements to the process evidenced by the CMT scores. However, it is critical that the School’s results be clear of any appearance of manipulation.

The above delineated issues represent the most significant problems of concern to the SDE through the renewal period. However, there were other operating, programmatic, and governance issues that the SDE was monitoring at various stages throughout the School's existence. These include such issues as proper certification of teachers, the lack of a certified administrator to conduct teacher performance reviews, School breakfast and lunch program reimbursements (i.e. SDE disallowed over \$50,000 in federal grant reimbursement due to lack of proper documentation), irregular and incomplete minutes of School Board meetings and other matters. Generally, these issues were addressed with the SDE by the Executive Director and/or the School's Board of Directors in an ongoing manner, while others continue to the present time.

OVERVIEW OF EVENTS PRECEDING WHISTLEBLOWER ALLEGATIONS

State Single Audit Finding – Fiscal Year Ending June 30, 2004

As a nonprofit organization that receives in excess of \$2,000,000 per year in State grant funds to operate the School, the Highville Mustard Seed Development Corporation is required to submit to the SDE an annual audit report from an independent public accountant certifying that the organization's financial statements are fairly presented in accordance with generally accepted accounting principles. Further, the organization must submit an audit that complies with the requirements of the State Single Audit Act. The School also is required to have its independent public accountant perform certain agreed-upon procedures designed to determine the accuracy of reported amounts contained on SDE Form ED001C "Charter School Financial Report", as well as the accuracy of enrollment data reported by the School.

In the fiscal year ended June 30, 2004 State Single Audit Report of the Highville Mustard Seed Development Corporation, Inc., dated October 29, 2004, the independent public accountant noted the following reportable condition involving internal control over financial reporting:

Condition: The Executive Director and Assistant Director have either used the Organization's funds for personal expenses, or have not documented work performed for wages paid.

Questioned Cost: Total expenditures of \$22,279 were recorded by the Organization as due from the Executive Director and Assistant Director for items discussed above.

The above audit finding and questioned cost represents four months salary of the Associate Director,² Nadine Pitter, for time that she was attending Naugatuck Valley

²It is undisputed that this audit finding for the fiscal year ended June 30, 2004, pertaining to the "Assistant Director", refers to Nadine Pitter, who identified herself and who also was understood by the School's Board of Directors to be the Associate Director of the School. For the purposes of this report, therefore, Nadine Pitter is referred to as the School's Associate Director.

Community College to obtain an Associate Degree in Nursing while being paid full salary as Associate Director of the School. The independent public accountant obtained information from Dezroy Stewart, the Chief Financial Officer of the School, concerning the Associate Director's work attendance while attending School. A receivable was recorded on the organization's books for the \$22,279.

In a letter to the School Board Chairperson, Berita Rowe-Lewis dated December 10, 2004, the School's Executive Director, Lyndon Pitter, who is the former spouse of Nadine Pitter, wrote the following:

I am not disputing this debt however, given my current financial situation;
I will make payments in the amount on dates indicated below... I
acknowledge that I authorized release time for professional development.
I agree to repay on the proposed schedule.

The 2004 audit report was subject to review by the SDE's Office of Internal Audit to ensure that the audit findings were addressed and a corrective action plan had been developed. This information was requested in a letter to the Executive Director dated May 23, 2005, from the Chief of the Office of Internal Audit. Despite his December 10, 2004 letter to School Board Chairperson Rowe-Lewis, the Executive Director's June 17, 2005 response to the Chief of Office of Internal Audit and the revised response of June 27, 2005, indicated disagreement with the audit finding stating that the Board of Directors had approved Nadine Pitter's attendance at professional development courses to obtain an RN license that would ultimately benefit the School.

Disharmony in School Governance

In a letter to the School Board Chair Berita Rowe-Lewis dated June 27, 2005, Lyndon Pitter outlined a series of concerns involving School governance. The letter states, in part:

...I believe that we are in the midst of a crisis of sorts as to management and corporate governance. We must be willing to tackle the difficult issues I believe the organization is now facing – management failures and accountability for those failures, organizational deficiencies, imprudent allocations of grants received, the cannibalization of certain School programs ... the absence of planning and the lack of strategic focus. In short, I believe that we have serious governance issues that must be addressed and resolved immediately...

In a July 7, 2005 letter to the SDE's Chief of Internal Audit, the School Board Treasurer, Wendy Clarke, wrote:

I am writing on behalf of the Board of Directors of the Highville Mustard Seed Charter School. As its Treasurer, I must take exception to the Corrective Action Plan proffered by Lyndon Pitter. This plan has not been discussed with or approved by the Board. The findings noted in the audit

report are a result of the actions of Lyndon Pitter as Executive Director of the School and further involves his spouse and certain financial benefits realized by his household over time. For these obvious reasons, the Board has drafted a Corrective Action Plan that we feel appropriately addresses the finding.

...We collectively attest that Lyndon's 6/27/05 representation of any approved arrangements with the Associate Director are overstated and dubious at best... It is my understanding that the Board Chair will look to immediately engage our program manager... to address the overarching management issues that affect the future of our organization...

During this time period, the SDE program manager for charter schools was contacted by Lyndon Pitter who advised that he, Pitter, was at odds with the School's Board of Directors. To mediate, the SDE suggested that the School consider hiring Brody-Weiser-Burns, a company with expertise in assessing non-profit organizations, to evaluate the School and to offer insight on how to reestablish the proper roles and responsibilities for all members of the School community. Michael Burns and Claire Morduch of Brody-Weiser-Burns met with Berita Rowe-Lewis, who was then the School Board Chair, and Christopher Licari, Esq., the School Board's attorney at that time, to agree on a process and estimated cost for the project.

Brody-Weiser-Burns conducted an assessment and review of the School's governance and organization in light of "best practices" during July and August 2005. The findings detailed in the Brody-Weiser-Burns study identified significant governance issues involving the Board and the Executive Director. The findings were presented to the full Board by Brody-Weiser-Burns at a Board meeting on August 18, 2005. As a result of this assessment, Brody-Weiser-Burns presented three options regarding the Executive Director: (1) No change – Brody-Weiser-Burns did not recommend this option since it was "likely to result in further decline in the School's finances and resignations among key personnel and Board members. It [was] also likely to precipitate a state audit for the full period of operations"; (2) Establish a probationary period for the Executive Director; or, (3) Replace the Executive Director. According to Michael Burns of Brody-Weiser-Burns, the School Board appeared to be split on the necessary and appropriate action to take. Although some Board members threatened to resign if action was not taken, others were concerned that the School would not survive without Lyndon Pitter.

At the end of August 2005, the SDE accepted the Board's Corrective Action Plan in response to the audit finding along with the proposed repayment schedule of grant funds to the State. This repayment schedule was signed by both the Board Chair and Executive Director. Nevertheless, disharmony continued between certain Board members and the Executive Director.

Resignations of School Board Members and the School's Chief Financial Officer

The School's Board of Directors scheduled a Board meeting for September 1, 2005. A flyer was anonymously sent to parents of students requesting parents to attend that

Board meeting and to “[c]ome and show your support for the School administration.” The preparer and distributor of this flyer could not be identified by our investigation. However, after this meeting, Lyndon Pitter, the Executive Director issued a letter dated September 2, 2005 to parents and guardians stating, in part:

...There has been tension between the administration of the School and the Board for a long time and this has come to a head...Last evening a number of you turned out to a Board meeting and loudly and clearly stated your feelings and intent. It was heart warming to hear so many of you express your support for me as Executive Director... As a result of you – the parents – making your voices heard, several members of the Board have stepped down...

Over the next few days, six of the eight members of the Board of Directors, including the Board Chair, resigned from the School Board. One of these six Board members subsequently decided to return to the Board. Also, Dezroy Stewart, the Chief Financial Officer (“CFO”), employed at the School for the last five years, resigned at this time.

In their letters of resignation, which were forwarded to the Commissioner of Education, the Board members and CFO had the following comments:

Letter dated September 7, 2005, from School Board Chair to Executive Director:

...Over the past months issues of gross financial irresponsibility, lack of supervision and governance have been matters of great distress to me. With no resolve in sight and your continued abuse of your position, also your attempt to wrestle control of the School from the Board after the (Brody-Weiser-Burns) report. It is now apparent that the organization structure is in need of serious review by the state Department of Education.

I would urge the State Department of Education to take a closer look at the three areas mentioned above and hold all individuals responsible to the highest extent of the law...

Letter dated September 2, 2005, from School Board Treasurer to School Board Chair:

As mentioned last evening, I regret to inform you that I am immediately resigning from the Board of the Highville Mustard Seed Charter School. The outcome of last evening’s Board meeting and the Executive Director’s orchestration of the angry mob of parents that he misled leaves me no alternative. Unfortunately, with my and other Board members resignation, Mr. Pitter is left with the false idea that he was effective in redirecting the governance of the School. However, he remains accountable only to himself. I find it extremely disconcerting that Mr. Pitter sent a post Board

meeting letter to parents essentially congratulating them for this boisterous and threatening behavior and the resulting ouster of the Board.

I am thankful that you adhered to the State's advice in commissioning the (Brody-Weiser-Burns) report as two independent parties (the auditor and Brody-Weiser-Burns) have lent some validity to the concerns we raised around Mr. Pitter's role as Executive Director of the School. Further this exercise has allowed us to put in place a number of procedures and policies, albeit policies he continues to ignore. ... Also, in transition, it is essential that Mr. Pitter's new Board be well aware of the outstanding dollar obligations Mr. Pitter has to the Charter School that were recorded by the Financial Officer. Those matters are legitimate and should not be swept under the rug regardless of how he defines governance in the reconstitution of the School... .

Letter dated September 2, 2005, from School Board Member (Quinnipiac Univ. Professor of Management and Dept. Chair):

This is to tender my resignation from the Board of Directors of the Highville Mustard Seed Community Development Corporation, effective immediately. The members of the Board have been wonderful people to work with and all have always seemed as committed as I to the original dreams and goals...

My reasons for resigning are two. First, my duties as Department Chair at the University, in addition to my teaching load there, are requiring much more of my time and energies and leave me little or no time to devote to the work of the Board. This can readily be seen in my absences from Board meetings over the past year due to recurring schedule conflicts. My absences may have in fact contributed to my second reason for this resignation namely, the increasingly questionable and, to me, unacceptable management behavior of the Executive Director of the Corporation, Lyndon Pitter. Current realities make it clear to me that even had I the time, there is little I can contribute to the health and growth of the School...

Letter dated September 6, 2005, School's Chief Financial Officer to School Board Chair:

This resignation is to take effect immediately.... Owing to the blatant and recurring acts of financial impropriety by the Executive Director and the Associate Director, I no longer feel confident that I can protect the financial interest of Highville Mustard Seed Development Corporation and Charter School.

State Agencies Actions Concerning Allegations and Whistleblower Complaints

On September 13, 2005, the SDE – Office of Internal Audit (OIA) received a request from the SDE Charter School Program Manager to initiate an investigation into allegations of financial irregularities involving the Highville Mustard Seed Charter School.

OIA conducted a preliminary review of the information and documentation alleging financial and management irregularities to assess (a) whether the allegations had any basis in fact or could be confirmed, (b) the potential for ongoing misuse of State funds by School management or staff, and (c) the need and scope of any further investigation or audit effort. In addition, OIA obtained additional information and documentation concerning these matters through inquiries held with Dezroy Stewart, the former CFO, as well as with Michael Solakian, the partner of Solakian, Caiafa & Company, LLC, the independent public accounting firm that performed the audits of the organization's financial statements over the past several years.

Former State Education Commissioner Dr. Betty J. Sternberg and SDE officials met with representatives from the School, including the School Board Chair, on October 18, 2005 to discuss the Agency's serious concerns regarding the nature of the allegations of financial impropriety, especially in light of the recent resignations of Board members and the School's Chief Financial Officer. Based upon this meeting, Commissioner Sternberg agreed not to place the School on probation if the Board agreed to the following conditions:

1. Lyndon Pitter and any of his relatives employed at Highville must be suspended pending the results of the investigation described below. The School Board agreed to place both Lyndon Pitter and Nadine Pitter on "Administrative leave with pay."
2. The School must hire an independent audit firm, acceptable to SDE, to perform a forensic audit as defined and directed by the OIA. The School Board agreed with this and hired an independent CPA firm acceptable to SDE.
3. The SDE-OIA would continue to investigate the claims made concerning this matter and should be given the full cooperation of individuals employed at the School and Board members. This would include matters in response to a whistleblower complaint filed with the State Attorney General's Office and the Auditors of Public Accounts. The School Board agreed to full and complete cooperation.

The Board also agreed to several other requirements to provide programmatic information and other data related to the School's operation. These agreements are generally documented in a letter from the Board's attorney to the Commissioner dated October 28, 2005.

The Attorney General's Office and the Auditors of Public Accounts also received complaints filed pursuant to Connecticut General Statutes § 4-61dd, also known as the "whistleblower law." The information received by the Attorney General's Office and by the Auditors of Public Accounts alleged identical concerns about financial irregularities, mismanagement and misuse of State funds at the School. The Attorney General's Office, the Auditors of Public Accounts and the SDE Office of Internal Audit agreed to coordinate the investigation of these matters to avoid duplication of effort and to minimize the disruption to the School's operation.

SCOPE AND METHODOLOGY OF INVESTIGATION

As previously described, this investigation was a collaborative effort between three State Agencies, namely, the State Department of Education – Office of Internal Audit, the Office of the Attorney General and the Auditors of Public Accounts. The scope of the investigation was designed to assess the validity of allegations involving financial irregularities, misuse of state funds, and management abuses associated with the School's operation, principally by Lyndon Pitter, the School's founder and Executive Director.

Our joint investigation was prompted by information received by the SDE Office of Internal Audit, the Attorney General's Office and the Auditors of Public Accounts relating to allegations of serious mismanagement of the School's resources and misuse of School funds, principally by Lyndon Pitter, the School's founder and Executive Director. The complaints received included allegations that Lyndon Pitter used the School's credit cards to make unauthorized personal purchases totaling thousands of dollars; that Pitter's former wife, Nadine Pitter, attended nursing school while being paid a full time salary as the School's Associate Director; that nepotism strongly influenced the hiring, employment, compensation, and contracting decisions at the School; that Lyndon Pitter received significant salary advances from the School that he did not pay back to the School; that Lyndon Pitter misused the School's telephone for long distance international calls of a personal nature; and, that School facilities and resources were mismanaged and used for improper private enterprises.

Certain of these issues were subject to a limited scope forensic audit ("forensic audit") conducted by Konowitz, Kahn & Company, P.C., Certified Public Accountants. This independent public accounting firm was hired by the School Board, at the request and approval of the SDE, to perform a forensic audit of specific issues as defined by SDE. A copy of the CPA firm's report is included with this report as **Attachment 1**.

In addition to information detailed in the CPA's report noted above, our investigation examined available relevant information and documentation, including but not limited to the following:

- Highville Mustard Seed Development Corporation audited financial statements, schedules and related reports for the six fiscal years ended June 30, 1999-2004.
- CPA audit work paper files associated with the audits of the organization for the fiscal years ended June 30, 2002-2004.
- Selected accounting records of the School including, but not limited to ledgers, payroll information, invoices, tax returns and other supporting documentation of revenues and expenditures related to alleged improprieties.
- The Brody-Weiser-Burns presentation and findings concerning the School Board-School Administration relationship.
- The original charter application package and related documents.
- The charter renewal package and related documents.

- Enrollment data, CMT test data and other relevant background data concerning the operation of the School.
- Minutes of the Board of Directors of School as available.
- School accounting manuals and policies and procedures.
- Employment contracts, job descriptions and related compensation information.
- Federal and state grant information and documentation related to School.
- Private grant and donation information and documentation.
- School teacher certification reports to the SDE and related correspondence.
- General correspondence.

As part of our investigation, we also conducted many interviews under oath with certain of the School's current and former Board of Directors, current and former administrators, employees, contractors, grantees, and vendors. We interviewed the former independent CPA for the organization and partners and associates involved in the Brody-Weiser-Burns management study.

We examined this documentation and conducted interviews and inquiries to the extent we considered necessary to confirm relevant information, evaluate the nature of certain transactions, and understand the operating environment of the School for the purpose of evaluating the substance of the allegations.

INVESTIGATIVE FINDINGS AND CONCLUSIONS

The Executive Director Misused The School's Credit Cards For Personal Purchases

Background

The School had several credit cards that were available for purchases of School-related supplies, equipment, etc. In particular, the School had an American Express credit card account that was opened as a School account. Although registered as a School account, the card was opened in the name of former School Board Chair, Gwendolyn Lambert, as a guarantor. Lambert's personal signature was required since the School was in the early stages of development and American Express required a personal guarantor in order to open this account. The Executive Director, Lyndon Pitter, had a card and was an authorized user of this card.

The American Express credit card was the primary charge account used by the Executive Director for purchases during the period from June 1999 through November 1999. Approximately \$104,000 of expenses of a personal and business nature were charged during this time period. The account was closed soon after November 1999. In addition, the School used an Advanta credit card to a lesser extent during this time period. Also, a Citibank Advantage credit card under the name of Dezroy Stewart, the former Chief Financial Officer was used during the period January 2000 through May 2001.

Allegations associated with the School's credit card are that Lyndon Pitter, as Executive Director of the School, used these credit cards for personal purchases. In addition, it is alleged that these personal purchases were unauthorized, were not fully reimbursed, and represent a misuse of State grant funds.

Investigative Findings and Conclusions

- As further detailed the above allegations have been confirmed by the forensic audit (**Attachment 1**) and through our independent investigative effort. **The Executive Director used the School's credit cards to purchase various items of a personal nature amounting to at least \$28,192. In addition, we have identified \$50,347 in credit card charges that are questionable due to the nature of the expense.** These charges occurred during the period of June 1999 through November 1999, approximately at the end of the School's first year of operation, through the summer, and into the start of the second School year. This is a period of time that would be associated with two fiscal years of the organization, namely, the fiscal years ending June 30, 1999, and June 30, 2000.

- Lyndon Pitter contends that Gwendolyn Lambert, School Board Chair at the time, authorized him to use the corporate credit card for personal items to supplement deficiencies in his income, which he was requested by the Board to defer or forgo. He further contends that the School Board as a whole authorized these personal charges as salary advances or loans that were duly recorded on the School's accounting records. In addition, he contends that these salary advances and loans were repaid to the School within a matter of months after his salary was restored to its intended level in 2001. Finally, Pitter claims that only donor contributions and not State funds were used to pay for personal items charged.
- Based upon evidence obtained in our investigation, however, including testimony of Gwendolyn Lambert, former School Board Chair, a review of pertinent documents including, but not limited to, Board minutes, accounting records, correspondence and audited financial statements and tax returns, we found Pitter's explanation and claims lacking factual support and disputed by sworn testimony of other witnesses.
- Lambert disputed the Executive Director's contention that he received authorization from her to use the School's credit cards for personal purchases. She stated that the cards were solely for the purchase of School supplies and were not authorized to supplement the Executive Director's salary. In fact, she stated that she was upset about such personal purchases because the School's American Express card had her name as a cosigner and American Express was holding her responsible for unpaid balances.
- Lambert testified that, as a result of Pitter's unauthorized personal purchases using the School's credit card, credit card collection agencies called her and threatened to place a lien on her house for unpaid credit card charges. Lambert further testified that Pitter told her to "just hang up" or get caller ID to avoid calls from the collection agencies. The evidence shows that, in connection with the settlement of these credit card bills, Lambert was issued a form 1099-C Cancellation of Debt for \$1,144.47 from American Express, which was included as income on her tax return for the calendar year 2000.
- There is no evidence that the School Board ratified or approved Lyndon Pitter's use of the School's credit card for personal expenses to supplement his income for deferred salary. There is no evidence to support Pitter's claim of forgoing or deferring salary during this period of time. Considering the School's precarious financial condition, Pitter's claims that the Board requested him to defer or forgo salary, but allowed him to expend School funds on expensive clothing, travel, entertainment and other personal items, is not supported by facts or supportive documentation.
- Lyndon Pitter, Dezroy Stewart (the School's former CFO) and Michael Solakian (the School's former independent auditor) each acknowledged that personal charges by Pitter on the School's charge card were identified and detailed during the fiscal year ended June 20, 2000. Although the amount identified at that time as personal is in

dispute, the School classified \$12,000 of personal use credit card charges as a “loan due from Lyndon Pitter as of June 30, 2000.

- During the audit of the fiscal year ended June 30, 2000, both Solakian and Stewart testified that Pitter was advised that the practice of charging personal expenses to the School’s credit cards was inappropriate even if repayment was planned. They indicated that, at that time, it appeared that Pitter lacked an understanding that this practice was inadvisable, especially in a not-for-profit company. Stewart trusted Pitter at the time and felt he should be given the benefit of the doubt concerning Pitter’s motives in using the credit cards for personal expenses. They also stated that Pitter never raised the idea that the personal use of the School’s credit card was to compensate for deferred salary.
- Since this matter was brought to the attention of the School’s independent auditor by the School’s CFO, a loan due had been booked, and the credit cards had been cancelled, the audit firm felt that the CFO had exercised his oversight and internal control responsibilities properly to identify and correct this matter. As a result, an audit finding was not considered necessary and was not included in the June 30, 2000 audit report. The audit firm issued a separate management letter dated November 30, 2000, to the Board of Directors to advise them of concerns of personal charges by employees on the corporate credit card.
- Although the independent auditor considered the former CFO a good financial gatekeeper, he was not aware at that time, and only found out in the Fall of 2005 when questioned by State investigators, that Dezroy Stewart, the School’s former CFO was the first cousin of Nadine Pitter, the Associate Director of the School. Nadine Pitter is also the former wife of Lyndon Pitter.
- According to the School’s former CFO, Dezroy Stewart, a loan for \$12,000 due from Pitter was only booked at the insistence of the CFO and the credit cards were discontinued by the Board Chair and CFO, not by Pitter. No interest provisions are included in these loans to the Executive Director. However, at least \$13,000 in personal expenses charged by Pitter were never booked as a receivable or loan due from Pitter based upon the forensic audit and our investigation.
- Although Pitter’s claims that these funds were repaid within months of his salary being restored to its intended level in 2001, the forensic auditor’s findings do not support such repayment claims by Pitter. (Attachment 1—See Appendix H)

Analysis of Evidence and Testimony Relating to School Credit Card Use

Limited Scope Forensic Audit Report Findings (Attachment 1)

Page 2 of the forensic audit report describes the scope of credit card charges examined that are associated with the School’s American Express and Advanta business credit cards. Of the \$25,582 in credit card charges confirmed to the forensic

auditor as personal by the Executive Director, approximately 50% amounting to over \$12,000, consisted of clothing and other apparel. In addition, various gifts, food and entertainment costs were charged by the Executive Director. Further, the forensic audit report states that an additional \$11,633 in charges are questionable and could not be confirmed as either personal charges of the Executive Director or School related.

We should note that approximately \$104,000 in expenses were charged on the School’s American Express charge card during the five month period from June 1999-November 1999, an average of over \$17,000 per month. The forensic auditor’s schedule detailed and reviewed \$36,508 of \$104,000 in credit card charges and confirmed \$25,161 or 69% as personal expenses of the Executive Director.

The following table provides a limited sample of items confirmed as personal charges including:

**Highville Mustard Seed Charter School
Sample of Personal Credit Card Charges By Executive Director**

Date	Vendor	Description	Amount
6/20/1999	Regency Gallery, NY.	Gift Items	\$2,061.00
6/26/1999	FAO Schwartz, NY.	Toys/hobbies/games	\$936.37
7/17/1999	Paramounts Great Ame. – Santa Clara, CA.	Amusement park/Circus	\$217.15
7/20/1999	Six Flags Marine World, Vallejo, CA.	Admission/Tickets/Gifts	\$108.00
8/26/1999	Rte 22 Honda	1999 Honda Accord Down payment	\$4,000
7/99-10/99	Whalley Sample Shop, New Haven, CT.	Apparel /Accessories	\$4,246
10/20/1999	Saks Fifth Avenue - Colorado	Two (2) Armani Le Colle Suits, 2-piece knit suit	\$3,648.22
10/20/1999	Saks Fifth Avenue – Colorado	Cashmere Scarves Solid Silk Pajamas	\$2,223.48
10/20,21/1999	Colorado Baggage – Denver, CO.	Leather/Luggage goods	\$1,952.86

Other Personal and Questioned Credit Card Charges

In addition to the credit card charges detailed by the forensic auditor in his schedule, our investigation identified the following personal and questionable charges associated with the School’s American Express charge account:

- Two round trip airline tickets for Bryan Webster from Minneapolis to Hartford for a cost of \$361.45 and \$556.00 respectively for each trip. Webster is the husband of Nadine Pitter, and we found no connection between Webster and the School.

- Our investigation identified additional credit card charges which could not be confirmed as School-related or personal, since supporting documentation was not available. Based upon the nature of the expense, we have identified these charges as “questioned expenses.” These charges include various hotel bills, including a stay in New York City on the Fourth of July weekend and other days, restaurant bills, rental cars, limousine service, Blockbuster video charges, etc. (Attachment 3)
- The chart below details credit card charges associated with a trip to California by the Pitter family (six members) and five other individuals in July 1999 to attend a MicroSociety Program, a global studies education conference. This was attended by Lyndon Pitter, Nadine Pitter and five individuals associated with the School. The Pitters’ four children went on the trip and their airfare, hotel, food and entertainment were charged to the School’s American Express card. Clearly, the charges for the Pitters’ children should be considered a personal expense. We also noted purchases of over \$6,000 in electronic equipment that could not be confirmed as School-related.
- Finally, these costs were incurred during the start-up years of a new organization that had significant cash flow concerns. The overall reasonableness and necessity of sending seven (7) individuals to California for this program, at this time in the School’s operation, and charging six family members’ expenses to this trip, is highly questionable.

**Highville Mustard Seed Charter School
Questionable Credit Card Charges By Executive Director
California Trip –July 1999**

Date	Vendor	Description	Amount	Purpose	Questioned
7/1/1999	United Airlines	11 Roundtrip Airfares from JFK in New York to San Francisco, CA. @ \$423 each. This includes Lyndon and Nadine Pitter and four Pitter children. Also, five (5) teachers.	Total Cost is \$4,653, which includes the \$1,692 cost for the Pitter children.	Teacher training. However, it appears that the California trip had at least a partial personal nature. See amusement park tickets deemed personal in previous schedule.	\$4,653
7/16/1999	Thrifty car Rental	Car rental San Francisco, CA. 7/15/99-7/24/99	\$921.01	See above. Appears related to above California trip.	\$921.01
7/19/1999	Japan Electronics, CA.	Electronic Sales	\$1,127.50	Undetermined.	\$1,127.50
7/21/1999	Circuit City, Sam Mateo, CA.	Electronic/Appliances	\$1,641.02 and \$3,484.17	Undetermined.	\$5,125.19
7/24/1999	Crowne Plaza Hotel, Foster City, CA.	Arrival 7/24/99 and Departure 7/25/99- One night.	\$3,395.64	Teacher training. One night stay at hotel for 11 people. California Trip.	\$3,395.64
7/26/1999	Marriott Hotels, San Mateo, CA.	Arrival 7/20/99 and Departure 7/25/99. Five nights.	\$825 and \$825 and \$825 and \$1,155	Teacher training. Five nights stay in California for 11 people.	\$3,630.00
				Total	\$18,852.34

Based upon the forensic audit results and the results of our investigation, the chart below summarizes the credit card charges made by the Executive Director that are

confirmed as personal expenses of the Executive Director, as well as charges that are questioned expenses due to the nature of the item.

**Highville Mustard Seed Charter School
Summary Status of Credit Card Charges By Executive Director
6/1/1999 – 10/30/1999**

Credit Card	Total Charges	Confirmed Personal Amount	Questioned Amount	Total Confirmed Personal or Questioned Expenses	Percentage of Total charges Confirmed Personal or Questioned
American Express	\$102,898.17	\$27,770.63	\$49,997.63	\$77,768.26	75%
Advanta	\$1,291.06	\$421.05	\$349.81	\$770.86	60%
Total	\$104,189.23	\$28,191.68	\$50,347.44	\$78,539.12	75%

Executive Director’s Response and Claims

In a letter dated January 31, 2006, the Executive Director’s attorney, John M. Gesmonde responded to the Board Chair’s concerning claims that Lyndon Pitter had misused the School’s credit cards. This response states, in part:

...In 1998, Mr. Pitter was hired by the Board as Executive Director, and was offered a salary of \$72,000 ... However, due to the School’s precarious financial condition at the opening of School, at the last minute Mr. Pitter was asked and agreed to defer/forgo one half of his salary for the first School year. Thus, instead of the \$72,000 he was supposed to be paid, he was paid only \$36,000 for the first year of the School’s operation... This constituted a serious financial hardship to him and to his family.

To alleviate this hardship, the Board in 1999 and 2000 agreed to certain measures... during 1999-2000 School Year, the Board authorized certain salary advances and loans to him, including those evidenced by credit card purchases at that time. All such advances and loans were duly recorded on the School’s books, were made with the full knowledge of the Board at the time and were each specifically approved by the Chairman of the Board at that time. Further, these loans and advances were all repaid within a matter of months after his salary was restored to its intended level in 2001. In addition, the Board Chair, at the suggestion of the CFO, entered into an arrangement to provide him with a car that he used in large part for School purposes.

... Finally, Mr. Pitter personally cancelled the School credit cards in 1999,...

... None of the personal purchases made on the Corporation's Card were unauthorized.... In all cases, Ms. Gwendolyn Lambert (Board Chair at the time) provided verbal approval for these purchases.

NO FEDERAL OR STATE FUNDS WERE USED TO PAY FOR PERSONAL EXPENSES. During the same period, Mr. Pitter raised approximately **\$269,780** in unrestricted funds from various donors.

Also, in response to the allegations associated with this investigation, Lyndon Pitter has prepared a reimbursement claim for \$112,140.58 to the School for certain past expenses that he indicates were incurred by him for School-related activities, but not reimbursed by the School. This claim is discussed more fully later in this report. However, one item within this claim form is "Unpaid Salary for 1998" in the amount of \$36,000. During our investigation, we evaluated the substance and validity of the above-noted response and claims made by Pitter. In this regard, our investigation disclosed the following:

1. There is no evidence that the Board ratified or approved Lyndon Pitter's use of the School's credit card for personal expenses to supplement his income for deferred salary. The suggestion, considering the School's precarious financial condition, that Pitter was requested to defer or forgo salary, but allowed to expend School funds on such personal items as Armani suits, cashmere scarves and silk pajamas is dubious, at best, and not supported by facts or supportive documentation.
2. There are no written salary agreements between the School and the Executive Director. The W-2 form showing wages of \$36,917 for Calendar year 1998 presented by Pitter as evidence that he was paid only half of his claimed salary of \$72,000 does not support this claim for several reasons:
 - a. The School opened in September 1998 and the first fiscal year of operation was the period from July 1, 1998 to June 30, 1999. Thus, if his salary was set at \$72,000 for the first year of operation, half a year from July 1, 1998 to December 31, 1998, would be \$36,000, the amount reported on a W-2 which is on a calendar year basis.
 - b. Form 990 tax returns for the Highville Mustard Seed Development Corporation for fiscal years ending June 30, 1998 and June 30, 1999 list Pitter's compensation as the Executive Director at \$55,850 and \$65,000 respectively each year. Such tax returns do not record any deferred salary or loans payable to the Executive Director for such claimed salary deferrals.
 - c. Our investigation revealed, that in addition to his 1998 W-2 wages of \$36,917, Pitter received checks totaling over \$14,000 during February-April 1998 from the Highville Mustard Seed Development Corporation

for, in part, contract work. Such contracted activity would not be recorded on a W-2 as wages, but on a 1099 as a contractor.

- d. There are no employment agreements or other documentation to support Pitter's claim. Also, we spoke with Board members, management, and accountants who would be in a position to confirm such claims of deferred salary. None of these individuals confirmed this understanding.

Based upon the above, we conclude that there is no evidence to support Pitter's claim of forgoing or deferring salary during this period of time. Thus, Pitter's response that he was afforded a charge card to supplement his income for personal expenses has no factual support.

3. Gwendolyn Lambert, Board Chair, at the time of credit card use by Pitter, disputes that she approved his use of the card for personal expenses. She stated during an interview, that her understanding, as the Board Chair at the time, was that the School's American Express card, which also had her name on the account, was only to be used for School supplies. She confirmed the School's former CFO Dezroy Stewart's statement that the credit cards were not cancelled at the request of Pitter, but rather by the credit card company at Stewart's request due to the large outstanding balance and to prevent further charges. In fact, Gwendolyn Lambert was contacted by the credit card company to personally repay outstanding balances.
4. According to the former CFO, a loan for \$12,000 due from Pitter was only booked at the insistence of the CFO and the credit cards were discontinued by the Board Chair and CFO, not by Pitter. No interest provisions are included in such loans to the Executive Director. However, at least \$13,000 in personal expenses charged by Pitter were never booked as a receivable or loan due from Pitter based upon the forensic audit and our investigation.
5. Further, while Pitter's response indicates that these funds were repaid within months of his salary being restored to its intended level in 2001, the forensic auditor's findings do not support such repayment claims by Pitter. Appendix H of the forensic report contains a "Due From Analysis" that identifies repayments from Pitter. (**Attachment 1**) According to that schedule, Pitter made three repayments during 2001 totaling \$4,600. The booked loan from the credit cards was \$12,000 and thus Pitter's repayments do not cover the booked amount. At the same time (August 2001), Pitter took a salary advance of \$20,000 according to the schedule.
6. The treatment of personal expenses charged on the School's credit card as salary or corporate expenditures could jeopardize the School's tax exempt status, and could be considered taxable income of Lyndon Pitter.
7. Finally, the use of unrestricted donor funds made to a nonprofit organization for personal expenses is illegal. Unrestricted donor funds to a non profit organization

must be directed to the organization's charitable purpose and not for the personal benefit of an individual.

The School's Associate Director, Nadine Pitter, Received Full Salary While Attending College To Obtain A Nursing Degree.

Background

In the fiscal year ended June 30, 2004 State Single Audit Report of the Highville Mustard Seed Development Corporation, Inc., dated October 29, 2004, the independent public accountant noted the following reportable condition involving internal control over financial reporting:

Condition: The Executive Director and Assistant Director have either used the Organization's funds for personal expenses, or have not documented work performed for wages paid.

Questioned Cost: Total expenditures of \$22,279 were recorded by the Organization as due from the Executive Director and Assistant Director for items discussed above.

The above audit finding and questioned cost represents four months salary of the Associate Director for time that she attended Naugatuck Valley Community College to obtain an Associate Degree in Nursing during work hours while being paid full salary as Associate Director of the School. A receivable was recorded on the company's books for \$22,279 due from the School's Executive Director and the School's Associate Director, formerly husband and wife.

The previous Board of Directors of the School concurred with the audit finding and agreed to repay the funds to the State Department of Education. The Executive Director disagrees with the finding. This finding was reviewed in the forensic audit and independently in our investigation.

Investigative Findings and Conclusions

Based upon the forensic audit report and our investigation, we affirm the substance of the above-noted audit finding by the previous independent CPA for the School. Our investigation disclosed the following:

- The School's Associate Director, Nadine Pitter, attended Naugatuck Valley Community College and obtained an Associate in Science – Nursing Degree. She attended from September 2003 through May 2005. She continued to receive full salary from September 2003 until November 2004, even though she only worked part-time at the School during this period of time. Based upon the 2004 audit finding and resultant Board members' actions, Nadine Pitter stopped receiving full salary during the period from November 2004 through June 2005 while she completed her degree program. Nadine Pitter only worked on Fridays during November 2004 and was paid for only those days worked. From December 2004 through May/June 2005, she was not on the School's payroll while she completed her degree program.

- The School’s former CFO, Dezroy Stewart, after discussion with the independent public accountant, reclassified \$22,279 of Nadine Pitter’s full-time salary to a loan based upon four months of her gross annual salary. The four months represents the amount of time identified by the former CFO as the aggregate period in which Nadine Pitter was not at the School and received full-time pay.
- The forensic auditor’s report states: “The School did not have time and attendance records that could have been reviewed to confirm Ms. Pitter’s schedule. Therefore, due to the lack of time and attendance records and apparent conflicts between Ms. Pitter’s schedule narrative and the interviewed individuals’ recollection, we cannot corroborate Ms. Pitter’s asserted schedule.” (**Attachment 1**)
- Nadine Pitter was employed as the Associate Director at the time she attended college for a nursing degree. This degree qualified her for a new position as School nurse and was not related to maintaining or improving her qualifications as the Associate Director.
- At an October 16, 2003 Board meeting, attended by five Board members and Lyndon Pitter as Executive Director, the following resolution was passed with a vote of 4 approvals, 3 absent and 1 abstain: “Approval of a feasibility study to develop a concept proposal for School based health services and for Nadine Pitter to attend professional development training at *Western Connecticut State University* to facilitate the development and implementation of School Based Health Services.”
- Nadine Pitter testified that she did not attend the October 16, 2003 Board meeting and never discussed this matter with the School Board Chair or any Board members, nor did she provide any information relative to the nature or extent of her course work, the college she was attending or the hours expected to be away from the School. Her discussions were strictly with Lyndon Pitter on this issue as was also confirmed by Lyndon Pitter.
- According to the October 16, 2003 School Board Agenda, the School Board consisted of eight voting members with five of the eight members attending this meeting. According to the credible testimony obtained in our investigation, no details were provided by Lyndon Pitter at this Board meeting concerning Nadine Pitter’s “professional development”, and Nadine Pitter’s attendance at nursing school was not discussed. Several Board members testified having a specific recollection that the approved “professional development” was associated with accessing training for the purpose of conducting a study of the feasibility of establishing a School-based health clinic at the School. In particular, the School Board Chair stated that she felt Lyndon Pitter “totally misled” the Board. Three Board members interviewed rejected the claim that the Board approved Nadine Pitter’s leave to attend nursing School while remaining on the payroll. The teacher representative to the Board, who is currently employed at the School, stated she did not recall any specific conversation at the October 16, 2003 Board meeting about sending Nadine Pitter to nursing school.

Rather, she testified that she “put two and two together and assumed that Nadine Pitter was going to nursing school.”

- Nadine Pitter testified that she was the Associate Director of the School on October 16, 2003. She was not the School nurse at that time. She testified that she was “not involved in administrative or financial matters, any hiring, firing or any day-to-day running of the School. [Her] only involvement at Highville was as Associate Director in charge of parents’ communication and community relations, and those were the only jobs [she] performed.”
- Nadine Pitter testified that she did not remember who approached her to consider taking college classes to become the School’s nurse. She did recall discussing this issue with Lyndon Pitter and agreeing that she would go to nursing school to address the School’s needs in this area.
- Nadine Pitter testified that she never read or discussed the 2004 audit finding and questioned cost concerning her attending college while remaining on the School’s payroll with the independent auditor, Board members, the former CFO or the Executive Director until the current investigation.
- Nadine Pitter testified that she did not maintain timesheets or other documentation of days and hours worked at the School. She also testified that she never provided her class schedule to anyone at the School including Lyndon Pitter, the former CFO, the School’s secretary or any School Board members.
- Dezroy Stewart, former CFO, testified that he was cautious about the fact that Nadine Pitter was his first cousin. He wanted to avoid the appearance that there was any collusion between his role as CFO, since he signed the payroll, and Nadine Pitter being paid while not at the School. Stewart testified that he spoke with Lyndon Pitter and Berita Rowe-Lewis on separate occasions about Nadine Pitter being away from the School. However, when he did not receive a response, he felt an obligation to advise the independent auditor.
- The independent auditor for the School, Michael Solakian, CPA, testified that he was advised in early October 2004 on his first day of field work for the 2004 audit, by the former CFO, Dezroy Stewart about Nadine Pitter attending college while continuing to receive full salary. He reported this matter to the Executive/Finance Committee (Berita Rowe-Lewis, Board Chair, Wendy Clarke, Board Treasurer and Richard Simpson) of the Board at an emergency meeting and advised that this could result in a reportable condition or a material weakness with questioned costs being included in the audit report. In accordance with auditing standards, he advised the Executive/Finance Committee that the School Board should conduct its own review of the matter and communicate the results to the independent auditor.
- Michael Solakian testified that Berita Rowe Lewis, the School Board Chair, asked him if the audit finding could be written in draft as she intended to put the finding in

front of Lyndon Pitter for discussion. Solakian advised the School Board Chair that he felt this was a reportable condition regardless of whether Lyndon Pitter agreed to repayment. However, if the School Board's investigation of the matter disputed the information in the finding, the issue could be resolved. The Board, through the Chairperson, Berita Rowe-Lewis advised the auditor that they discussed the matter with Lyndon Pitter. Lyndon Pitter told the Board that there was a State grant that would pay for Nadine Pitter to attend college. However, no evidence of any such grant was provided. Effectively, the Executive Committee advised Solakian that the finding was correct and that Lyndon Pitter would repay the School for Nadine Pitter's salary as calculated in the audit finding.

- Lyndon Pitter testified that Solakian threatened Board members with the audit finding and felt that the auditor failed to perform his duties in confirming the information concerning Nadine Pitter. Also, Lyndon Pitter testified that the School Board Chair, School Board Treasurer and another Finance Committee member were part of a clique that included the former CFO that were trying to create a misperception about him. Pitter believes these individuals were afraid of the public knowing that certain of their relatives were working at the School and did not want to see themselves in the press. Other Board members interviewed could not corroborate these assertions.
- Lyndon Pitter testified that the Board Chair at the time, Berita Rowe-Lewis, stated to him that if he wrote a letter agreeing that he was at fault in this matter, that the independent auditor would not include a finding in the audit report. Pitter stated that he wrote the letter agreeing to repay Nadine's salary in order to avoid confrontation. He also expected that the audit finding would be removed from the report. Berita Rowe-Lewis testified she had Lyndon Pitter prepare the letter acknowledging that he, Lyndon Pitter, had authorized Nadine Pitter to attend college while remaining as a full-time employee.
- In a letter to the School Board Chair dated December 10, 2004, regarding authorizing Nadine Pitter release time, and repaying the salaries she received for the period totaling \$22,279, the Executive Director, Lyndon Pitter stated, in part: "I am not disputing this debt however, given my current financial situation; I will make payments in the amount on dates below, until my debt is paid in full ... I acknowledge that I authorized release time for professional development. I agree to repay on the proposed schedule."
- Stewart testified that although Lyndon Pitter signed the letter acknowledging that he would repay the School for Nadine's salary while at college, no payments were ever made by Lyndon Pitter. Lyndon Pitter told Stewart that the SDE Program Manager advised him that repayment was not necessary. Our investigation shows, however, that no SDE employee ever told Lyndon Pitter that he did not need to repay the School for Nadine's salary while she was at college.
- In a revised response to SDE dated June 27, 2005, concerning the audit finding, Lyndon Pitter stated that he advised the School Board at the October 16, 2003

meeting that Nadine Pitter would be away from the building Monday through Wednesday and a half day on Thursday, while present at the School for a half day Thursday and a full day on Friday. This amounts to three and one half days a week away from the School building, which is more than 50% of the work week.

- A corrective action plan was presented to the SDE by the School Board Treasurer dated July 22, 2005, which included proposed policy and procedural changes to professional development practices and conflict of interest policies at the School. In addition, the plan noted that the full \$22,279 in questioned cost was to be repaid to the School by December 2006, in accordance with an agreement with Lyndon Pitter. Subsequently, in a letter dated August 5, 2005, to the SDE from the Board Chair and Executive Director, a formal repayment plan to the SDE was proposed for the \$22,279.
- Although Lyndon Pitter suggests that the School Board approved Nadine Pitter to attend professional development to become a registered nurse, there is no evidence to support this contention. In fact, Nadine Pitter was already enrolled and attending Naugatuck Valley Community College when the Board voted on October 16, 2003, for her to attend professional development at Western Connecticut State University with regard to the feasibility of implementing School based health services at the School.
- The Board Chair and responsible Finance Committee Board members suspended salary payments in November 2004 upon being advised of the situation by the independent public accountant. Further, Lyndon Pitter acknowledged that **he** authorized his ex-wife to attend college while receiving full salary and agreed to repay the School for her salary in the amount identified in the audit finding. Certainly, regardless of the decision-making process involved, a benefit to the Executive Director's former wife clearly occurred that was unrelated to her duties at the school.
- We conclude that the audit finding amount is a fair representation of the amount of salary overpayment as it represents approximately four months pay Nadine Pitter attended School for about eight months (September 2003-December 2003 and January 2004-May 2004) during the fiscal year ended June 30, 2004. This represents about 50% of her salary for the eight month period allowing Nadine Pitter the remaining 50% as work time. Based upon the forensic audit interviews and our investigation, this would appear reasonable. This does not consider any overpayments associated with the fiscal year 2004-2005. For that period, Nadine Pitter attended college and received full salary for two months, September-October 2004. In November 2004, Nadine Pitter was paid only for Fridays and from December 2004 through June 2005 she was not on the payroll. Based upon the previous methodology, 50% of her salary for the two months would be approximately \$5,570.

The School's Executive Director Employed His Own Relatives, As Well As Relatives Of Members Of The School Board And The School Administration

Background

Nepotism is defined as favoritism in the hiring of relatives or close friends for desirable positions within an organization. This could include hiring unqualified relatives and friends at above-market rates which do not correspond to experience and/or education levels. Generally, evidence of nepotism raises serious concerns, particularly in a nonprofit entity and a "public" school under Connecticut law, and which is funded primarily with State taxpayer dollars and Federal grants.

Our investigation revealed a disturbing pattern of the Executive Director, Lyndon Pitter, employing his own family members in positions in the School's Administration, as well as employing relatives of other School Administrators and Board members. These employment decisions both provided financial benefits to the Executive Director and to his family members and increased his control over both financial and operational activities of the School.

Investigative Findings and Conclusions

Our investigation revealed the following:

- **The School's Executive Director and the Associate Director – namely, Lyndon Pitter and Nadine Pitter, respectively -- are former husband and wife, and they continue to live in the same household and raise their four children.**

As detailed in this report under the investigative finding relating to Executive compensation, the evidence shows that Lyndon and Nadine Pitter's combined compensation amounts to over \$180,000 a year for the School's 2003 and 2004 fiscal years not including benefits (health, dental, life insurance including family coverage). The financial benefit to Lyndon Pitter of having the Associate Director's position filled by Nadine Pitter, the mother of his four children, is self-evident in this instance.

Nadine Pitter was on the Board of the Highville Mustard Seed Development Corporation and resigned to take the position of Family Resource Director in 1998 when the School first started operations. Nadine Pitter testified that she does not recall how she was appointed, but it did not involve submitting a resume or application. She reported directly to Lyndon Pitter, Executive Director, at that time. She also testified that her position was "reclassified" to Associate Director the next year without any job announcement or application. The evidence shows that her salary effectively doubled as a result, while her job function essentially stayed the same. Although she claims that, at this point, she reported to the Board rather than to Lyndon Pitter, she never attended any Board meetings and Board members and other administrators testified that she reported to her former husband.

The evidence developed from our investigation shows that, at the time that she was “reclassified” as the School’s Associate Director, Nadine Pitter had no education or training that would lead any objective decision maker to conclude that she was qualified to be second in charge of a School.

Further, the evidence developed from our investigation shows that, although they were divorced in 1995, Lyndon Pitter and Nadine Pitter had a continuing relationship in which they presented themselves to the School community as a married couple. The evidence developed from our investigation shows that Lyndon Pitter and Nadine Pitter have lived and presently live in the same household, and that they are the parents of four children with joint financial obligations in raising them. Lyndon and Nadine Pitter both testified that they traveled with all four of their children on School sponsored trips to California in the summer of 1999, and to Jamaica in the summer of 2000.

Finally, the evidence shows that even the attorney representing Nadine Pitter and Lyndon Pitter in this investigation had the understanding that Nadine and Lyndon Pitter were married. In a letter dated June 27, 2005, Lyndon Pitter responded to Raymond Inzero, Chief of the SDE Office of Internal Audit, regarding questions about the 2004 audit finding:

Again there is no allegation that any funds were diverted by the Executive Director or Assistant Director or otherwise used for personal expenses. Indeed, the only apparent reason for reference to the Executive Director is his benefit from wages paid to the Assistant Director, *who is his wife*. (Emphasis added.)

The attorney representing both Nadine Pitter and Lyndon Pitter stated during Lyndon Pitter’s examination under oath that he, in fact, had written the letter to Raymond Inzero on Lyndon Pitter’s behalf. He further expressed his understanding that Nadine Pitter and Lyndon Pitter were married at the time that he drafted the letter for Lyndon Pitter:

A-...I want to represent that I did this footnote. And that I, too, at one point thought that Lyndon and Nadine Pitter were husband and wife. . . . Because I do remember being surprised that [Nadine and Lyndon Pitter] were not husband and wife. But at the time back in June [2005], that was my assumption when I added that....

- **The School’s Associate Director and the former Chief Financial Officer (CFO) – namely, Nadine Pitter and Dezroy Stewart, respectively -- are first cousins.**

Nadine Pitter testified that she and Dezroy Stewart are first cousins of approximately the same age, that they grew up in the same household together in Jamaica, and attended

the same elementary school in Jamaica. Stewart confirmed these facts as well. Lyndon Pitter also testified that Dezroy Stewart was his cousin-in-law by virtue of the fact that Lyndon Pitter's brother was married to Stewart's aunt.

In August, 1999, approximately the same time that Nadine Pitter's position was "reclassified" to Associate Director, Dezroy Stewart stepped down from the Board, left his position as Audit Manager at Deloitte & Touche, and accepted the position of Chief Financial Officer at the School. He held this position until his resignation in September, 2005. Dezroy Stewart testified that Lyndon Pitter personally asked Stewart to become the School's Chief Financial Officer. Stewart testified that he did not submit a formal application, nor had interviews with any Board members.

Further, our investigation revealed that, in addition to a family relationship, Dezroy Stewart and Lyndon Pitter developed a close personal friendship over the years of their association at the School. Stewart testified that, during the period that he was the School's Chief Financial Officer, he also acted as Lyndon Pitter's personal financial assistant. Lyndon Pitter's testimony confirmed this arrangement: "If I have a bill to pay, I will either give it to Dezroy and I will say to him pay the bill for me. And then when I am going to the bank on the next day's cycle, I will deposit it into his account." Nadine Pitter testified that she grew troubled that "Dezroy was managing all of Lyndon's affairs." Stewart testified that he contemplated co-signing for a personal credit card for Lyndon Pitter, although he never followed through with this action. Stewart also testified that Lyndon Pitter asked him to negotiate a settlement on Pitter's behalf with St. Ann Church. Further, as detailed in another section of this report, the close personal nature of this relationship is evidenced by the numerous personal loans made by Dezroy Stewart to Lyndon Pitter totaling thousands of dollars during the period of his employment as Chief Financial Officer of the School.

It is not clear the full extent of Board members' knowledge of these family relationships among School's Administration. The School's independent public accountant, Michael Solakian, testified that Dezroy Stewart never disclosed to him that he was a relative of either Nadine Pitter or Lyndon Pitter.

The above members of the School's Administration had daily operational and financial control over the School. Our investigation revealed that the governing Board failed to exercise sufficient diligence in setting compensation for the School's Administration. This is evidenced in the lack of employment agreements or other documentation to support the compensation associated with their positions. Also, there is no evidence that the Board exercised proper oversight to ensure that family member reporting relationships avoided the appearance of conflicts of interest.

The practice of hiring family members for upper management positions raises questions about the objectivity of the hiring process and the qualifications of individuals to perform their functions. In fact, one private foundation providing grant funds to the School raised questions with the Board Chair in a letter dated June 18, 2001, concerning this situation. This letter states, in part:

As you may know, in the course of reviewing a grant application submitted by your corporation which requested a second year of funding... I spoke with Lyndon Pitter, your Executive Director. Among the issues we discussed was information... , which lists Nadine Pitter as the Assistant Director and as the third highest paid employee of the corporation.

As Nadine Pitter is married to Lyndon Pitter, the situation at a minimum: (1) creates the appearance of a conflict of interest and/or nepotism; (2) raises the possibility that the hiring process for Nadine Pitter was not carried out properly, Highville may have conducted a transaction that the IRS characterizes as excessive compensation; (3) creates an ongoing management challenge for the Executive Director and the Board to... avoid the appearance of favorable treatment toward the Associate Director; and (4) regardless of propriety, serves as an easy target for public retaliation by any disgruntled employee, parent of a student, or other... which would create a significant public relations challenge for Highville.

The ...Foundation currently does not have an explicit policy against nepotism or a similar situation for its grantees. However, the Foundation's common practice is to encourage its grantees to comply with the highest management standards appropriate to an agency's size... This includes working to avoid even the appearance of a conflict of interest or other practice that, fairly or unfairly, calls into question the integrity of the nonprofit's management.

To help the Foundation understand the situation as well as possible prior to making a decision about Highville's grant request, I am requesting Highville submit...documentation about the hiring process for the position of Assistant Director, including relevant Board or Board committee minutes and the qualifications for the position; personnel policies, including any special procedures for interactions between the Executive Director and Assistant Director...

In response to the above request, the School Board Chair at the time submitted a letter in May 2002 detailing the circumstances associated with the appointment of Nadine Pitter to Associate Director. The letter contained a job description for the position that indicates that the position requires a bachelor's degree. Nadine Pitter does not have a bachelor's degree.

- **Lyndon Pitter also employed the wives of two other School Administrators, namely, Lawrence DiPalma and Allen Jones.**

Allegations made concerning the above School employees were that Lyndon Pitter hired the wives of two other members of the School's Administration to (1) avoid the appearance that Nadine Pitter was the only wife (ex-wife) employed at the School and (2) to ensure loyalty of these top Administrators. While we cannot confirm these motivations, evidence obtained during this investigation revealed the following:

- Lawrence DiPalma, the Director of Curriculum/Principal is married to Janet DiPalma, who was employed at the School during the 2005-2006 school year.
- Allen R. Jones, the former Chief of Staff, is married to Cecelia Thomson, who was employed at the School during the 2004-2005 school year and 2005-2006 school year. As of the date of this report, neither Jones nor Thomson is working at the School.
- Janet DiPalma, Cecelia Thomson and Allen Jones were hired on August 17, 2005, during a period of significant acrimony between Lyndon Pitter and the School Board. Cecelia Thomson had been employed by the School in a position entitled "Musical Theater Teacher" during the 2004-05 School year and re-hired for the 2005-06 year. Both Allen Jones and Janet DiPalma had not worked at the School prior to being hired on August 17, 2005.
- Neither Janet DiPalma nor Cecelia Thomson is a State of Connecticut certified teacher based upon records of the SDE.
- According to the forensic audit report, Janet DiPalma is employed as a computer lab teacher at the School. Our investigation, however, identified three different employment contracts between Janet DiPalma and the School for the 2005-06 School year. One contract identifies her position at the School as "Literacy & Numeracy Intervention Specialist" at an annual salary of \$38,000 with a starting date of August 17, 2005. This contract is marked "received August 31, 2005" although signed by Janet DiPalma and Lyndon Pitter on August 17, 2005. A second contract, identical to the previous contract, also signed by the same parties, but has an annual salary of \$44,416.51. This contract has a notation of "received 9/2/05." A third contract provided by the School and contained in her personnel file indicates the position title is "Coordinator of Operation SAGE." This contract term starts in July 2005, rather than August 2005 and the salary is also \$44,416.51. This contract also has the same signatures and is dated August 17, 2005.
- According to testimony, Janet DiPalma's role at the School involves intervention with students that have identified difficulties in certain academic areas. Operation SAGE is a program at the School, according to testimony, that is useful in raising test scores. The position reports to Lawrence DiPalma, the Curriculum Director/Principal. Given the obvious conflict of interest, the Chief of Staff, Allen Jones, evaluated Janet DiPalma since her husband the Curriculum Director/Principal, could not do so per School policy.

- According to SDE’s Certification Office, State certification is required for a position such as Literacy and Numeracy Intervention Specialist. Janet DiPalma has no State certification on file with the SDE.
- The employment contract of Cecelia Thompson, wife of former Chief of Staff Allen Jones, identifies her position as Musical Theater Teacher at a salary of \$35,550 annually. This contract was signed by Cecelia Thomson and Lyndon Pitter as Executive Director and dated August 17, 2005. In testimony, Mitchell Young, Board Chair during the 2005-2006 School year, stated that Cecelia Thomson was not a musical theater teacher, but rather an administrative assistant to Lyndon Pitter. He also testified that her employment contract was never amended to reflect the function of administrative assistant. Young also indicated that she did some substitute teaching at the School. According to Young, the position held by Thomson was eliminated in the School’s 2006-2007 budget in an effort to strengthen the School’s financial condition.
- **Lyndon Pitter employed relatives of School Board Chair Berita Rowe-Lewis and School Board Treasurer Wendy Clarke**

Berita Rowe-Lewis – School Board Chair from January 30, 2002 to September 2005.

Rowe-Lewis’s sister, Marcia Banton, was employed by the School as a food service worker for the period 2000 through September 2005. Our review suggests that her compensation level appears reasonable for such services.

Wendy Clarke – School Board Treasurer/Board member who resigned in September 2005

Wendy Clarke’s father, Justin Clarke, and mother, Sioney Clarke, provided janitorial and cleaning services for the School. Justin Clarke also operated vending machines at the School.

- Justin Clarke provided janitorial services as an outside contractor for the School during the fiscal years ended June 30, 2003 through June 30, 2005. Per the forensic audit report, IRS Forms 1099 issued to Clarke for 2005, 2004 and 2003 reported compensation of \$18,550, \$20,005 and \$6,425 respectively. (**Attachment 1**)
- Wendy Clarke’s mother, Sioney Clarke, was employed as a cleaning person during calendar years 2001-2005. Her compensation ranged from \$5,535 in 2001 to \$16,980 in 2005 per the forensic audit. (**Attachment 1**)
- In addition, the forensic audit reported that two vending machines were operated on the School premises by Justin Clarke. Details of this arrangement are contained in Appendix E of that report. (**Attachment 1**)

- The forensic audit report indicates that the above compensation paid to Justin and Sioney Clarke appears to be reasonable. All contracts and employment arrangements with the School were terminated soon after the resignation of Wendy Clarke from the Highville Board of Directors. Although Lyndon Pitter has denied that he was involved in hiring the relatives of Board Directors to work at the School, the credible evidence developed from our investigation clearly demonstrates that as Executive Director, Pitter had operational control over the School, and that he also had ultimate authority in hiring and firing other Administrators, teachers and staff.

The Compensation Of The School's Executive Director, The Associate Director And The Former Chief Financial Officer Appears To Have Been Excessive

Background

Our investigation included a review of executive compensation. Whistleblower and other allegations concerning this area of our investigation included that Lyndon Pitter and Nadine Pitter lacked the background and educational credentials to support the level of their compensation. During the course of the investigation, we received additional allegations that the compensation of Dezroy Stewart, the former CFO of School was excessive and questioned the CFO's background and education. As a result, we also included a review of these concerns within the scope of this investigation.

As previously detailed, these three individuals – namely, the Executive Director, the Associate Director and the Chief Financial Officer-- shared a family relationship and effectively had financial and operational control of the organization. Although the employment of family members is not precluded by state statute or charter school regulations, hiring and compensation decisions that would have a material financial benefit to a family member should be transparent and avoid the appearance of nepotism and conflicts of interest, especially considering state tax payer dollars, in large part, fund such decisions.

Investigative Findings and Conclusions

Our review of this matter disclosed the following:

- Evidence of Board approval of Executive compensation is lacking in minutes and in budget documentation available for our examination. For example, there are only two documented yearly salary increases that have Board approval. In the 2004 fiscal year, total compensation of the Executive Director and former CFO increased by approximately 17% and 26%, respectively. However, the Board only approved increases of 5% for each individual for that fiscal year. Summer and supplemental paychecks were issued with the apparent approval of Lyndon Pitter during the year. No Board approval was evident for the summer and supplemental paychecks.
- While other positions in the School Administration (e.g. Director of Curriculum, Chief of Staff) had employment agreements, these three individuals – namely the Executive Director, the Associate Director, and the Chief Financial Officer -- have never had employment agreements executed with the School that identified compensation and employment terms and conditions.
- We found little, if any, evidence of yearly performance evaluations on these three positions conducted by the School Board or by supervisory management.

- Nadine Pitter’s position was “reclassified” in 1999 from Family Resource Director to Associate Director. She testified that no formal application or materials were submitted to the Board and she was “surprised” to learn of the “reclassification” and of the salary increase which followed. She testified that she performed essentially the same functions for both positions. According to her W-2 compensation as identified in the forensic audit, her salary essentially doubled from approximately \$24,000 to \$48,000 at this time with another approximately 21% increase to \$58,000 the next year. Also, as detailed elsewhere in this report, Nadine Pitter was allowed to attend college while remaining on the payroll.
- Compensation for these three positions appears excessive when compared to similar positions and/or in relation to background and credentials. In particular, the Executive Director and Associate Director lack any related education credentials for their positions. This is detailed further in this report and ultimately raises the question of nepotism and whether hiring and personnel decisions are based upon valid business reasons or self-interest due to family relationships.

Analysis of Investigative Findings Concerning Executive Compensation

The forensic auditor identified executive compensation for the Executive Director and Associate Director including the benefit packages (Attachment 1 -See page 4 and Appendix B). The chart below summarizes compensation information detailed in the forensic audit report for calendar years 2003-2005.

Highville Mustard Seed Development Corporation, Inc.				
Executive Compensation (W-2) Wages				
Executive Director & Associate Director (Ex-Spouses)				
Name	Title	Compensation 2003	Compensation 2004	Compensation 2005
Lyndon Pitter	Executive Director	\$117,761	\$122,946	\$120,782
Nadine Pitter	Associate Director	\$69,304	\$57,325*	\$34,755*
Totals		\$187,065	\$180,271	\$155,537

*Nadine Pitter was not on the payroll for portions of the year.

As previously noted, Lyndon Pitter and Nadine Pitter are founding members of the School. The forensic auditor reviewed Board minutes and did not find any documentation of Board resolutions approving compensation levels for either the Executive Director or Associate Director. Employment agreements were not prepared or executed. The only Board approvals involving Executive compensation appear to be annual percentage raises for fiscal years commencing July 1, 2002 and 2003 according to the forensic audit report. The forensic audit report also describes the health insurance and life insurance benefits that the Pitters participated in with the School.

Lyndon Pitter – Executive Director – Review of Compensation Issues

Based upon our review of the School’s original charter application and testimony obtained from Lyndon Pitter and other key participants, it is clear the Lyndon Pitter was

not the planned “Head of the School” described in the charter application. According to Lyndon Pitter, at the time that the School charter was approved, he was the Executive Director of the Highville Mustard Seed Development Corporation, Inc. Lyndon Pitter stated that it was never his intention to serve as the Executive Director of the charter School as well. Pitter testified that a former vice-principal of the Lincoln Bassett School in New Haven, who is also a former Board Member of the Development Corporation, Joan Avitable was the person intended to serve as the Director of the School.

Pitter testified that he had a disagreement with Avitable concerning the racial makeup of the staff at the School. Avitable decided not to take the position as the School’s Director. According to Pitter, he contacted the SDE for advice and ultimately decided, in early 1998, to assume the responsibility of directing both the Development Corporation and the School.

Ultimately, it appears that the distinction between the Development Corporation and the School was blurred with respect to the Executive Director, as well as with respect to the Board of Directors who served in these capacities for both the Development Corporation and School. Nevertheless, at the point that the School became operational, the primary purpose, functions and activities of the Development Corporation and the School essentially merged.

Our review of the original charter application package, in fact, does not contain any indication that Lyndon Pitter would be the “Head of the School.” Although the charter application package contains resumes of other individuals with significant education credentials, Lyndon Pitter’s resume was not included in that package.

Pitter testified that his initial salary as Executive Director was set by the Board at \$72,000. He does not recall the specific circumstances, but believes that since he was already the Executive Director of the Development Corporation, that his salary basically remained the same for the charter School. He has never received an employment contract with the School detailing his job duties and salary. Pitter stated that the Board knew and approved his salary as it was contained in the annual budget each year. However, there are no formal resolutions of the Board approving his salary and budget documentation available for review does not distinguish individual salaries, but contains an administrative salaries line item that includes several administrative positions in a lump sum total.

Also, there are only two documented yearly (2001, 2002) evaluations of Lyndon Pitter’s performance by the Board and only two documented Board approved raises. We should note that the Board approved Lyndon Pitter for a 5% increase in pay for the fiscal year July 1, 2003 – June 30, 2004. However, according to the organization’s Form 990 federal tax returns, Lyndon Pitter’s compensation was \$100,700 for the 2003 fiscal year and \$118,129 for the 2004 fiscal year for an increase of \$17,429 or 17.3%. It appears that the increase in compensation was approved by Lyndon Pitter in memos to Dezroy Stewart throughout the Summer of 2003. These memos, however, do not identify the

nature of the extra work other than as “summer pay”. There is no evidence of School Board approval.

In addition to the above information, we asked for and obtained from Lyndon Pitter his resume and educational credentials in order to evaluate the fairness of compensation for his position with the School. As further described in this report, we attempted to confirm the Bachelor of Science in Sociology and the Master of Science in Economics degree certificates from the University of the West Indies submitted to this investigation and found that such certificates and degrees were false. In fact, Lyndon Pitter does not have any identifiable credentials in education, economics, sociology, management or any other professional certification that would normally be associated with the head of a School and considered in setting compensation levels.

Based upon the above circumstances, we conclude that Lyndon Pitter’s compensation package as Executive Director of the School lacked proper oversight and evidence of approval by the Board. While Lyndon Pitter is entitled to fair compensation for services rendered, the circumstances described above lead us to question the appropriateness of his compensation.

In addition to the above circumstances involving the process by which Pitter’s compensation was established and monitored, the following information suggests that Lyndon Pitter’s compensation as Executive Director of School is high when compared to education administrators locally and in Connecticut. In particular, we obtained the following comparative salary information:

- The Hamden Board of Education Salaries for the below administrators for 2005 as published by the *Hamden Daily News*:
 1. Assistant Superintendent of Schools - \$117,000 (6,304 students 04/05)
 2. Hamden Middle School Principal - \$105,530 (948 students 04/05)
 3. Elementary School Principal - \$102,417 (varied enrollment by School)
- From the Connecticut Department of Labor (CDOL) – Annual Wages for Occupations in Education. The CDOL statistics for 2005 identify the salary range for Education Administrators, Elementary and Secondary School as \$76,270-\$119,536 with an average salary of \$96,680.
- The *Non-Profit Times* salary survey conducted in 2004 of 2003 salaries provided regional averages for New England of salaries for a Chief Executive Officer (\$78,175) and Program Director (\$49,664). In addition, the Chief Financial Officer average salary was listed at \$61,568.
- Also, we obtained for comparison, the administrative salaries reported by the following similar size charter schools in Connecticut on Form 990, the organization’s federal tax return for the year ended June 30, 2004:

Amistad Academy, Inc., New Haven. – Director - \$83,900 - Rhodes Scholar, J.D. from Yale University

Jumoke Academy, Inc., Hartford – Chief Executive Officer - \$97,864 – Ph.D. from New York University.

The above-noted Hamden School administrative positions require fully certified and credentialed individuals. Lyndon Pitter has neither certification nor credentials. In comparison, his 2005 compensation of \$120,782 is more than the Assistant Superintendent of Schools in Hamden. The School has an enrollment of 300 students compared to the Hamden School system of 6,304 students. Also, his compensation for 2005 is above the high-end average of education administrators in Connecticut per the CDOL statistics. Further, his compensation is higher, as reported on Form 990 federal tax returns for 2004 than the Directors of the above noted similar size charter Schools.

Nadine Pitter – Associate Director – Review of Compensation Issues

In addition to the Executive Director's compensation, we reviewed concerns about the fairness of the compensation provided to the Associate Director, Nadine Pitter, the ex-wife of Lyndon Pitter. Again, some background and context in this matter is necessary. As previously detailed, many Board members and others believed that Lyndon and Nadine were married as they presented themselves in this manner. They have children together and, in fact, currently reside at the same address. As such, we consider these individuals related parties and certainly the level of compensation for Nadine Pitter could represent a benefit to Lyndon Pitter in a number of ways such as determining alimony, child support, etc. This makes the process by which compensation was set for Nadine Pitter a significant factor in avoiding the appearance of conflicts of interest and in ensuring that compensation is reasonable in relation to the job functions and what would be paid to an unrelated party.

Our review of Nadine Pitter's compensation disclosed similar issues as previously detailed for Lyndon Pitter. In particular, Nadine Pitter did not have an employment agreement and there is no evidence available identifying the method for setting her salary and no evidence of Board approval of that salary. According to the organization's Form 990 federal tax returns, Nadine Pitter's compensation was \$64, 890 for the 2003 fiscal year, and it was \$69,332 for the 2004 fiscal year. Also, there are only two documented performance evaluations (May 2001 and May 2002) signed by the Board Chair at that time. Nadine Pitter testified that she was employed with the School from the start of the School's operations in 1998, initially as a Family Resource Director and then as Associate Director. She does not recall details about how her salary was set. Nadine Pitter testified as follows concerning the process by which she became the Associate Director in the beginning of 1999 School year:

A-I came to School one morning, checked my mailbox, ... there was a memo saying that job reclassified, and that my position had been reclassified from the parent resources to Associate Director...

Q – You didn’t submit any documentary material or other documents to any members of the Board of Directors of the School to become Associate Director?
A-No. And the position, to the best of my knowledge, was reclassified. It wasn’t as if it was a new position opened and you went through an interview process.
Q – Your duties remained the same?
A-Primarily. There was some changes, because I got a new job description, but they remained primarily the same.
Q – Did your salary change?
A-There was an increase in salary.

Furthermore, Nadine Pitter testified that she did not recall whether anyone from the School or Board spoke with her about this reclassification. She did recall that Lyndon Pitter **did not** talk to her about the reclassification of her position, even though at the time, she reported directly to Lyndon Pitter. She did not consider this new position to be a promotion. Nadine testified that she was surprised by the reclassification and found out later about the increase in salary.

Although Nadine Pitter did not consider this as a promotion, her surprise would be justified when learning that her salary had effectively doubled from approximately \$24,000 as Family Resource Director in 1998 to approximately \$48,000 as Associate Director in 1999 followed by another approximately 21% increase to \$58,000 in the year 2000 based upon W-2 information obtained during our investigation, especially considering that her job duties essentially remained the same according to her testimony. Concerning the scope of her management responsibilities as Associate Director, she repeatedly testified as follows:

A-I am not involved in administrative or financial, any hiring, firing or any of the day-to-day running of the School. My only involvement - - my only involvement at Highville was as the Associate Director in charge of parents’ communication and community relations, and those were the only jobs I performed.

Finally, Nadine Pitter testified that she never knew that the position of Associate Director required a bachelor’s degree and five years of working experience in social work. She testified that these requirements were not discussed with her since she obtained the position by reclassification. Also, she testified that she does not have a bachelor’s degree.

Lyndon Pitter testified that, at the same time that Nadine Pitter was appointed to the Associate Director position, another person, Kathy Elkin-Cohen was appointed to Director of Curriculum. However, this position was posted and had job applicants. Also, Lyndon Pitter testified that he had no input into the selection of Nadine Pitter as Associate Director or in the setting of her salary as the Board performed these functions. He also stated that he had no input into the development of the Associate Director’s position as the position was developed by a consultant from Detroit, Michigan. He also testified that the Associate Director’s position was distinctly different from the Family

Resource Director position. Lyndon Pitter explained these distinctions in testimony as follows:

A-Yes, there was a distinct difference. If I can recall correctly, I think the initial was to look at providing services for parents. Because many of the families are working class families and would need a variety of assistance. So, by actually linking them to services - - I mean, she would be better able to describe her job function than I can. For example, if someone needs a uniform, one of the things I know she would do is she would collect uniforms from former students. And those with difficulty or hardship purchasing a uniform, she would make arrangements for that. Once the position change, it takes on a new role in the sense that one of the primary functions would be at staff meetings is that she has to think like a parent and not a staff so that at all times the School is satisfying parents' concerns... So, she would be much better able to describe her role.

The following testimony of Board members, the former CFO and others associated with the School raises further concerns about the value of the functions performed by Nadine Pitter as Associate Director:

- **Berita Rowe-Lewis, School Board Chair** – Berita Rowe-Lewis testified that the Board, at the time, did not feel that Nadine Pitter should have been placed in the position of Associate Director. Based upon Board meetings she attended and speaking with prior Board Chairs, the feeling was that this appointment was unethical. Rowe-Lewis testified that the appointment of Nadine Pitter to Associate Director was one reason for the departure of one of the former Board chairs. Part of the concern involved the husband supervising the wife in this instance.

In e-mails obtained during this investigation that are dated April 5, 2005, the Board Chair, Berita Rowe-Lewis, and Board Treasurer, Wendy Clarke, discuss the response protocols to the State in regards to the 2004 audit finding involving Nadine Pitter attending college while on salary. The Board Chair wrote: "I also think Nadine's position should be eliminated and a position should be in place with a social work aspect to it."

- **Richard Simpson – School Board member – Finance Committee** – In an e-mail to Wendy Clarke dated December 2, 2004, he states, in part: "... It makes no sense to me that Linden [sic] can approve 10%-12% raises for so many staff members, but can't find the resources to add a part-time clinical-social work personnel."
- **Wendy Clarke – School Board Treasurer** – E-mail to Richard Simpson dated December 1, 2004 states, in part: "... it still bothers me that an Associate Director only comes into the School once per week. At the last meeting Lyndon himself made it abundantly clear that teachers needed to be removed from the clinical-

social aspect of their current roles. How then can it be acceptable for the person charged with those duties to be out of the office 80% of the work week?”

- Finally, testimony of Dezroy Stewart, the former Chief Financial Officer and first cousin of Nadine Pitter, included the following concerning the position of Associate Director:

Q – In a general sense, what was Nadine’s position? What was her job function?

A – Her title was Associate Director. Candidly, I did not know what Nadine did.

Q – You were there for five years; you don’t know what she did?

A – I mean, every year it seemed like it changed. ... At one time she was in charge of student discipline..., and another she had a women’s group ..., but in terms of day-to-day activities, I wasn’t sure.

Q – Did you report to her as Associate Director?

A – No. I reported directly to Lyndon Pitter.

Q – Do you know who Nadine Pitter reported to?

A – By my understanding from Lyndon, she reported directly to him.

Q – Would you consider her position critical to the School?

A – Absolutely not.

- Currently, Nadine Pitter serves as the Associate Director/School nurse at the School. The fact that the Associate Director can now also perform the functions of the School nurse, in our opinion, further calls into question the past value and need for the Associate Director’s position as held by Nadine Pitter. We also note that the School employed a Director of Curriculum and a Chief of Staff as part of the administrative team along with the Executive Director, Associate Director and CFO.

Dezroy Stewart – Chief Financial Officer – Review of Compensation Issues

Dezroy Stewart is the first cousin of Nadine Pitter as further detailed in this report. They grew up in Jamaica in the same household. We have confirmed that Dezroy Stewart has a bachelor’s degree in accounting from the University of the West Indies and a Master’s in Business Administration (M.B.A.) in Finance from the University of Connecticut. He is also a Certified Public Accountant in the State of Connecticut, although his license is not currently active. His prior work experience includes five years as an audit manager at Deloitte Touche.

Stewart is clearly qualified for the position of Chief Financial Officer of the School. He was hired by Lyndon Pitter in August 1999 according to testimony. He was the CFO for six years until he resigned in September 2005.

Initially, Dezroy Stewart was asked by Lyndon Pitter to serve on the Board of the Highville Mustard Seed Development Corporation. He did so for a short time and then was asked by Pitter to become the CFO since the School was in financial difficulties and

its CFO had resigned. He never applied to the Board or went through any formal interviews with Board members. Nadine Pitter testified that she was not involved in helping her first cousin get this position as she thought it to be a step down for him as an audit manager at Deloitte Touche to a “glorified bookkeeper” position at the School. Lyndon Pitter hired Stewart and the Board did not act on this hiring. There were no employment agreements. Dezroy Stewart’s salary was determined through discussions with Lyndon Pitter. The table below identifies the CFO’s compensation based upon Form 990, the corporate tax return.

**Highville Mustard Seed Development Corporation, Inc.
Schedule of Compensation – Form 990 Federal Tax Return
Chief Financial Officer – Dezroy Stewart**

Fiscal Year End June 30, XXXX	Compensation	Increase From Prior Year (\$)	% Increase	Board Approval
1999	n/a	Not available (n/a)	n/a	none
2000	\$75,000	n/a	n/a	none
2001	\$85,000	\$10,000	13.3%	none
2002	\$88,000	\$3,000	3.5%	none
2003	\$93,280	\$5,280	6.0%	6.0% salary & 4% bonus
2004	\$117,765	\$24,485	26.25%	5%
2005	\$119,000	\$1,235	1.05%	n/a

Although Stewart is clearly qualified to be the CFO of the School, there is no evidence to confirm the method by which his salary was established by Pitter. Lyndon Pitter testified that the Board determined the CFO’s salary. Stewart testified that his salary as CFO was established through his discussions with Lyndon Pitter. There is little evidence of Board approval of salary or raises except for the two years noted in the chart above. The table above identifies a 26.25% increase in compensation for the 2004 fiscal year. This increase appears to be due in part to supplemental paychecks for “summer pay” and work during the holiday recess to “finalize our audit reports” for the SDE. These supplemental paychecks appear to be approved by Lyndon Pitter.

Lyndon Pitter testified that the CFO position was posted and that others submitted applications. An interview committee of which Lyndon Pitter was a member conducted interviews according to Pitter. When Dezroy Stewart was selected as CFO, Lyndon Pitter testified that all Board members were aware that he was related to Nadine Pitter and no one expressed any concern.

Lyndon Pitter states that the CFO reported directly to him until 2003 when he began reporting to the Board. Stewart testified that he always reported to Lyndon Pitter until the last few months prior to his resignation in September 2005. We found no evidence of annual performance evaluations of Stewart by either Pitter or the Board.

Although Stewart is qualified for the position of CFO, as a family member of Lyndon and Nadine Pitter, we have the same concerns about the method of his hiring, the reporting relationship and the fairness of compensation. In the comparisons noted previously, the *Non-Profit Times* identified average salaries for a New England CFO at \$61,568 for 2003. According to corporate Form 990 for fiscal year ending June 30, 2003,

Stewart's compensation was \$93,280. Also, in comparison, the CFO of a similar size charter school had a salary of approximately \$78,000 for the fiscal year ended June 30, 2004, while Stewart's compensation as CFO of the School was \$117,765 for the same period.

The evidence suggests that it was in Lyndon Pitter's self-interest to ensure that a family member was established in the key financial position of the School and under Pitter's direct supervision. The issues outlined above raise concerns about nepotism and conflicts of interest between these parties.

Lyndon Pitter Received Significant Salary Advances From School Funds As Well As Personal Loans From The School's Chief Financial Officer

Background

Salary Advances

The forensic audit report describes a salary advance program that the School administered through the CFO's office. While the program was available and used by many employees at the School, the forensic audit details over \$57,539 in salary advances to the Executive Director from August 2001 to September 2004. Most of these advances to the Executive Director lack written agreements. Five written salary advance agreements were disclosed by the forensic audit and were for varying terms with no interest provisions. Although some repayments were made by Lyndon Pitter, as detailed in Appendix H of the forensic audit, a significant portion of these advances remain unpaid and are contained in the overall balance due from Lyndon Pitter as identified by the forensic auditor. (**Attachment 1**)

Personal Loans

The Executive Director, Lyndon Pitter, and former CFO, Dezroy Stewart, engaged in an unusual pattern of personal loans of an unconfirmed nature and amount. During calendar year 2004, Dezroy Stewart loaned Lyndon Pitter in excess of \$10,000, primarily in cash and checks. These would be weekly and sometimes bi-weekly payments from the former CFO to the Executive Director in amounts ranging from approximately \$100 to over \$1,400. A summary of these loan amounts is provided in the schedule in **Attachment 4**. In one instance, he paid for the Executive Director's car insurance. According to testimony from Stewart, these loans occurred early in his employment at the School and were repaid by Pitter, in cash, generally when payroll was issued.

The questionable practice of salary advances to the Executive Director and the unusual personal loan arrangement with the former CFO raise concerns of conflicts of interest and improper use of State grant funds.

Investigative Findings and Conclusions

Salary Advances

We note the following concerning these salary advances to the Executive Director:

- According to testimony from Berita Rowe-Lewis, former School Board Chair, she stated that the Board did approve the salary advance program, but at some point in 2003 the process became more formal with written salary advance agreements signed by the School Board Chair. According to Berita Rowe-Lewis, this additional

formality was because the Board felt the program was being taken advantage of by too frequent advances.

- In an undated document entitled “Salary Advance Practice”, the procedures state that:

Verbal request is accepted in all cases. Staff request is vetted and approved by the CFO. No standard repayment schedule is utilized; the terms of the loan it is up at the discretion of the CFO. No section of the School was barred from taking salary advances....as much as \$100 to \$25,000 ... for various reasons... down payment to purchase homes, cars, School tuition....Repayment schedule ranges from one month to two years. The frequency and the amount to be repaid are determined by the Chief Financial Officer.

- On August 1, 2001, Lyndon Pitter received a salary advance of \$20,000 from the School according to the forensic audit schedule on Appendix H. (Attachment 1) Stewart, former CFO, testified that this salary advance was for a down payment on a house for Nadine Pitter and Lyndon Pitter. Stewart testified:

....when [Pitter] was getting ready to purchase that house, I knew that he did not have the down payment that he - - Nadine had her portion. He did not have his portion. And he came to me, and he was asking me for about \$20,000 to lend him for the down payment. And Nadine even followed up and said, Are you going to lend him the money.

I actually at first was going to lend him the down payment. I did not. He got, however, an advance from the School for that \$20,000 for the down payment of the house.

- Stewart also testified that this salary advance was approved by the Board Chair at the time, Gwendolyn Lambert, and that a salary advance letter was prepared. The forensic audit did not find this salary advance agreement letter. Stewart testified that this was a short-term salary advance that was paid back in a relatively short period of time. According to the forensic audit report, it appears the repayments occurred from August 4, 2001 to January 10, 2003, approximately just under 1½ years. There is no evidence of any interest provisions connected with this advance.
- On June 21, 2002, Lyndon Pitter received a salary advance of \$5,000 from the School. The former CFO testified that this was for a payment to St. Ann Church to resolve a lawsuit by the Church against Lyndon Pitter stemming from Pitter’s prior employment at the Church. Stewart testified that he negotiated on behalf of Pitter and the Church, an agreement to settle for a lump sum payment of \$5,000 from Pitter. Stewart testified that Lyndon Pitter received the salary advance from the School for this purpose.
- Solakian, the independent public accountant for the School testified that the practice of providing salary advances in a nonprofit organization, in his opinion, “is not a

desirable situation.” Solakian testified that he believed that this concern about salary advances had been communicated to the CFO and the Board. He indicated that the CFO told him that the Board was trying to address the situation. More recently, the current Board has terminated this practice.

- The responsible stewardship of financial resources, especially State taxpayer dollars, should require a nonprofit Board to strictly prohibit financial loans to Board members, to the Executive Director, and to other key officers and personnel employed by the School.

Personal Loan Arrangement

We note the following with respect to the personal loan arrangement between Lyndon Pitter and Dezroy Stewart:

- The Executive Director and former CFO engaged in an unusual pattern of personal loans of an unconfirmed nature and amount. During calendar year 2004, Dezroy Stewart loaned Lyndon Pitter in excess of \$10,000, primarily in cash and checks. These would be weekly and sometimes bi-weekly payments from the former CFO to the Executive Director in amounts ranging from approximately \$100 to over \$1,400. In one instance, Stewart paid for the Executive Director’s car insurance. According to testimony from Stewart, these loans occurred throughout his employment at the School and were repaid by Pitter, in cash, generally when payroll was issued.
- Stewart testified as follows concerning the nature of these personal loans he made to Lyndon Pitter:

A-It was over a number of years shortly after I came to Highville. Lyndon was constantly in financial difficulties... and I would from time to time - - on a regular basis, actually, when I’d get my paycheck, the same time Lyndon gets paid, he’d come around to my office and would sometimes share some of the tight financial strains that he’s under, and I would take a part of my check, and I would loan it to him. A lot of times I would do that in cash, but, however, in the last two years prior to me leaving Highville, I started giving it to him by check. . . . The funds that I was lending Lyndon ... it was personal from \$100, \$200 and so on. It was always ... you pay me back the next payroll. So it was kind of like this revolving thing until in February (2005) when he paid me back the last time. It is because of the personal relationship - - the reason why I did it.

Q – And how did he reimburse you?

A – Almost always cash... I would give him a bank deposit slip from my own checking account and I said when you go to the bank to cash your check, just put the amount in my checking account. So often time when Lyndon is repaying me, it’s a biweekly process. We get paid biweekly. . . .

Q – Mr. Stewart, given the fact that you have an MBA, you are a CPA... , and you have a pretty strong wealth of experience in the business world..., did you

ever question whether it was appropriate or a proper thing for you to do to be lending - - personally lending to the Executive Director of the School..., who hired you and determined your salary...?

A – Candidly, take away the personal relationship between Lyndon and I and the friendship, I would not have lent Lyndon a dollar.

Q – Were you concerned about the appearance of a conflict or appearance of impropriety when you lent money to Lyndon Pitter personally, where you were the chief financial officer of the School and he was your boss, the Executive Director of the School?

A – ... it's that personal thing relationship.... I can't imagine under what circumstances I would lend any of the partners or managers at Deloitte money. It just would not happen. Again, it's almost like Lyndon was personal friendship/family in that sense.

- In his testimony, Lyndon Pitter did not deny that he received money from Dezroy Stewart while Stewart served as CFO of the School. Instead, Pitter characterized these loans by Stewart to him as an accommodation to help him with a medical condition that Pitter alleges he has.
- When Stewart was asked whether this medical condition was the reason for this financial arrangement, Stewart testified that he did not know or ever hear of the existence of this medical condition until the rift took place in 2005 between Lyndon Pitter, some of the School Board members, and Stewart.

A No-Bid School Renovation Contract Was Awarded To A Related Party

Background

Related party transactions are those in which an officer or director of a profit or nonprofit corporation, who is in a position to potentially influence the decision making process, has a financial or pre-existing relationship with a transacting entity. Related party transactions are not inherently illegal, but the heightened potential for unjustified favoritism demands that organizations have a meaningful and transparent process for reviewing such transactions to ensure the fairness and reasonableness of any such transaction. Undisclosed and unapproved related-party transactions could adversely affect the financial well-being of the organization, and could result in improper benefits to the related parties.

Our investigation revealed that a no-bid contract for renovation to the School facility was awarded to Capital Restoration Inc., whose President, Douglas Bromfield, is a close personal friend of Dezroy Stewart, the former Chief Financial Officer of the School. Bromfield and Stewart became acquainted when they lived in the same apartment building in Bridgeport, and became good friends over a period of time that started prior to being involved with the School. Their friendship continues today.

That friendship, according to testimony, included certain financial transactions of an unconfirmed personal nature. In 1997 or 1998, Stewart and Bromfield had a joint Charles Schwab bank account. This account was established by Stewart as a convenience for Bromfield who was in the process of returning to the United States from Jamaica and wanted to transfer his funds back to the USA. The funds were subsequently transferred into a sole account of Bromfield's when he returned to the USA. In addition, Stewart testified that he has a Peoples Bank account in Jamaica. Approximately four or so times, Stewart gave Bromfield's niece in Jamaica about \$1,000 each time for her college tuition. This was at the request of Bromfield, for his convenience, and as a favor since Stewart did not have to pay transfer fees on this account. Bromfield reimbursed Stewart for these funds. These transactions occurred while Stewart was employed at the School according to testimony.

Bromfield testified that, prior to his company performing any work at the School, he met Lyndon Pitter and his wife at a social event. He described his relationship with Lyndon Pitter as casual. According to Bromfield and Stewart, Lyndon Pitter was aware that Douglas Bromfield was a good friend of Stewart's. Pitter testified that he was not "initially aware" of the friendship between Bromfield and Stewart, and that he became cognizant of their relationship only after Bromfield's company had been hired by the School and had begun the renovation work on the School facility.

In 2001, the School contracted with Capital Restoration, Inc, as a general contractor, to perform certain repairs and renovations to the building on Leeder Hill Drive in Hamden which houses the School. The work was performed over a three year period

from approximately August 2001 through April 2004. Initially, the contractor performed some repair and replacement work that was not substantial in scope. In 2003, the contractor performed more substantial renovations that included replacing temporary partitions with walled classrooms, computer wiring, plumbing, plexiglass windows, converted storage room to a gym, etc. In total, the contractor was paid \$137,520 for all work at the School. The fee was based upon time and material with a not-to-exceed maximum price.

Investigative Findings and Conclusions

- Based upon the evidence and testimony, we conclude that Capital Restoration, Inc., received this work because of the personal relationship between the company's President, Douglas Bromfield, and the School's CFO, Dezroy Stewart.
- Dezroy Stewart never formally disclosed his personal friendship or financial connection with Douglas Bromfield to the School's Board of Directors.
- A contract for "Interior Renovation at the School" from Capital Restoration, Inc., was obtained during our investigation. The contract form provided has no signatures, although Bromfield testified that a signed contract was completed by the parties. Neither the School nor Bromfield could provide a signed and duly executed contract.
- There is no evidence in Board minutes of Board of Directors' approval of any contract with Capital Restoration, Inc. to perform contract work at the School.
- The School did not seek public bids for this renovation work, and there is no evidence that other contractors were solicited for comparison quotes.
- The unsigned contract provisions state that the unit labor prices for carpenter, mason, laborer, painter and supervisor "include overhead and profit." However, our review of billings from the contractor indicates that an additional 10% overhead and 10% profit was charged on such labor fees. According to the unsigned contract provisions, the only items subject to overhead and profit are equipment, rental, tools, sub-contractor and materials which are reimbursable at cost plus 10% overhead and 10% profit. As a result, based upon our review of the billings, the contractor billed and was paid \$9,265 in excess of the contract provisions.
- Bromfield stated that he did not apply for building permits for work performed. He testified that neither the School nor his subcontractors obtained building permits. Bromfield testified that a conscious decision was made by management (Pitter/Stewart) not to obtain permits since Bromfield noted that the building would not meet code and was loaded with violations and could be shut down. He further testified that it would be cost prohibitive to bring the School building up to code.
- **Note: Based upon these representations concerning code violations, we have advised the SDE and it has contacted the current Board to ensure that the**

building is inspected and safe for the students. An inspection was performed and certain minor conditions were reported for corrective action.

- As noted above, although the work performed by Bromfield's company appears reasonable for the cost, we did find evidence of inconsistencies between billings and contract provisions.
- Although the relationship with Stewart appears to be a key factor in this renovation work being awarded to Douglas Bromfield's company, the evidence and testimony strongly suggests that Lyndon Pitter was well aware of the relationship and also was involved in these projects. The credible testimony indicates that Pitter was actively involved in deciding which projects that were contained on a wish list would be performed by Bromfield's company. Bromfield specifically testified that "Mr. Pitter was involved. Every single thing I did in that School, Pitter knew about it, every single thing."
- According to Bromfield, Lyndon Pitter approached him to contribute to Berita Rowe's campaign for town council. Bromfield provided Pitter with a personal check made out to the Committee to Elect Berita Rowe in the amount of \$250 dated September 7, 2003.

Improper Use Of The School Building And School Facilities

Proper Accounting and Operating Procedures Were Not Followed In The Operation Of A “Summer Camp” On School Premises.

Background

Our investigation included review of allegations that the School’s premises were used for purposes unrelated to the School’s activities. Specifically, we reviewed allegations that the School’s premises were used for a “summer camp” in 2004 and that this was a personal business venture that was operated by Nadine Pitter. The allegations concerning this matter included that School resources supported this camp, that the camp operated without a license or insurance, and that parent fees were collected in cash and not accounted for through the accounting records of the School.

Investigative Findings and Conclusions

- A “summer camp” program was operated by School staff and with the permission of the School’s Administration during the summer of 2004. The program was not a School program, but an independent business venture, albeit with a function related to School purposes.
- School building facilities and resources were used, but the cost of such use cannot be readily determined. The program contributed \$500 to the cost of the facility, and salaries and some expenses were paid by program fees.
- The program lacked normal cash and accounting controls and, therefore, we cannot confirm total revenues. In effect, this program is illustrative of the manner in which upper management circumvented established procedures and controls.
- The avoidance of proper procedures and accounting controls could result in unrecognized revenues and operating costs supported by State funds.
- Records maintained by the program indicate that two teenagers assisted in the program -- the assistant teacher’s daughter (age 13) and Lyndon and Nadine Pitter’s daughter (age 16). These individuals were paid \$175 per week for four weeks (\$700) and \$75 per week for four weeks (\$300), respectively.
- Because their daughter was paid through the program, the Executive Director and the Associate Director were aware of the use of the School’s premises for the “summer camp.”

Analysis of Evidence and Testimony Relating to the Operation of a “Summer Camp” at the School Facility

Our review of this matter disclosed that a “Sunshine Camp” was operated at the School’s facility on Leeder Hill Road in Hamden during four weeks in July 2004. The program hours were Monday-Friday, 8:00 a.m. to 4:00 p.m. The fee was \$100 per week for a full day and \$50 per week for half day sessions. The program flyer states that the program is open to all children entering Pre-Kindergarten through grade 3. The goals of the program include both social and developmental activities and skill learning activities. The program schedule, obtained from School staff operating the program, was listed as breakfast, morning gathering, fun-time (literacy), center time, fun-time (math), lunch, story time, outdoor/indoor play, arts/crafts, movie time and pick-up. A menu of breakfast, lunch and snacks was provided to our investigation.

The program was operated primarily, by two staff, an assistant teacher and a paraprofessional. In addition, two teenagers served as helpers/jr. counselors. According to documentation and information received from these staff members, the program had 10-12 full-day children and 3-4 half-day children attending the program for the first three weeks and only five full-day and two half-day children for the last week.

Based upon information we obtained, a total of \$4,420 in program fees was collected during this period. According to staff, these fees were mainly in cash and while a receipt book was maintained it was not complete. Receipts for food and supplies paid from program fees were provided by program staff in the amount totaling \$340.36. Staff persons working in the program were paid in cash from program fees and based upon available documentation such program salaries totaled \$3,425. Based upon the above, a balance remained in the amount of approximately \$655.

All accounting for this program occurred outside of the normal accounting records of the School, basically off-book. Payroll forms including W-2’s or 1099’s were not prepared for salaries paid to staff. According to the former CFO, he was not aware that such a program was being operated in the building and only learned from a parent who had a question about the program. The former CFO and program staff confirmed that the program operated without insurance and a license from the state. The former CFO requested that the School be compensated at least \$500 for use of the facilities and on the last days of the program, Lyndon Pitter gave the CFO \$500 which was deposited into the School account.

The School has a written policy, adopted by the Board on August 13, 2002, that allows the School building to be used for community purposes. The policy requires approval of the Executive Director for short-term use (under 2 months) and the Board for longer terms. A designated approval form is required. We did not find evidence of this form being completed. In addition, a certificate of insurance and facility use fees are required by the policy.

Program staff stated that Lyndon Pitter had authorized the use of the School facilities for the summer camp, but it was verbal and informal. They agreed that the former CFO was not involved in any aspect of the program. However, program staff stated that financial information on this program would be occasionally shown to Nadine Pitter. At the end of the program, a \$100-\$200 contribution was given to Nadine Pitter for use of the School according to program staff.

Additionally, records maintained by the program indicate that the two teenagers assisting the program consisted of the assistant teacher's daughter (age 13) and Lyndon and Nadine Pitter's daughter (age 16). These individuals were paid \$175 per week for four weeks (\$700) and \$75 per week for four weeks (\$300), respectively.

The School's Food Service Facility Was Used To Operate A Private Catering Business.

Background

We also reviewed allegations that the former Food Service Director at the School, Larry Lucky, utilized the School's facility and equipment to operate a catering business that he owned.

Investigative Findings and Conclusions

- According to his testimony, Larry Lucky used School facilities to perform private catering work during the six year period that he worked at the School. There is a conflict in testimony as to whether this was an activity approved by and conducted with the full knowledge and approval of the Executive Director. Lucky testified that he had approval of Pitter to use the School's facilities. Lyndon Pitter, however, stated that although he knew that Lucky had a catering business, he personally had reprimanded Lucky on several occasions for using the School facility for his personal catering business.
- Lucky was hired by Lyndon Pitter in 1999, without an employment contract, to work as the School's Food Service Director, and he remained employed with the School until his dismissal in October 2005. Lucky testified that initially his responsibilities at the School included ordering food, preparing meals, menu planning, and cleanup. Lucky further testified that, subsequently, he also helped in the after school program and taught child nutrition to the students. Lucky is not a certified teacher. According to Lucky, Lyndon Pitter requested that he perform these additional duties for which he did not receive additional compensation.
- Lucky testified that after a falling out with Lyndon Pitter, Lucky was no longer willing to do extra work beyond that of being the Food Service Director. Lucky testified that subsequently, however, he was advised by Pitter that he could no longer use the School's facilities for his private catering business.

Lucky, who had responsibility for ordering food and supplies for the School, utilized the same food service vendor for his catering business from which he ordered the School's food and supplies. There is no evidence that the School sought bids for food and supplies. Lucky was also employed by the School's food vendor for a short period according to testimony.

- The evidence also shows that Lyndon Pitter directed Lucky to prepare food during the School day on election day in November 2003, and to deliver it to the Keefe Center in Hamden for campaign workers from Berita Rowe-Lewis's campaign.
- The School's former Food Service Director, did not pay, nor was requested by Lyndon Pitter or Dezroy Stewart to pay any monetary compensation for using School facilities for his private catering business.
- The use of School facilities by Lucky for his private catering business is another example of the School being used by individuals for their own benefit without any concern or attention to appropriate financial controls.

Other Issues Of Financial Abuse Or Mismanagement Of School Resources

The Executive Director Used The School's Telephone To Make Personal, Long Distance International Calls

- This allegation has been confirmed by the forensic audit firm. (Attachment 1) The Executive Director used the corporate telephone for international calls of a personal nature amounting to at least \$1,521. These charges occurred during the fiscal years ending of June 30, 2003 through June 30, 2005. Pitter has repaid \$544 of these charges.
- The former CFO, Stewart, testified:

A-... Lyndon was using the School's phone to make phone calls to Jamaica or other places, and I kept telling him and kept telling him about it, and put it in the receivables, I believe he probably didn't understand, just the appearance, and I would say, buy a phone card.

It's not until I noticed that he started calling the same numbers, but not from his office, but from other School phones, that I realized it was deliberate.

- The School's Personnel Policy and Procedures Handbook, revised 1999, under Telephone Calls, states, in part: "Personal use of telephones for long-distance calls by employees at School is not allowed... Unauthorized long distance calls will be considered theft and will be dealt with according to policy."

Additional Cell Phone Use – Testimonial Evidence Only - Unsubstantiated by Supporting Documentation

- Stewart testified that when he started at Highville both Lyndon Pitter and Nadine Pitter had cell phones that were in the name of Highville Mustard Seed Charter School. Stewart stated that as CFO of the School he received the cell phone bill to pay and at one point the bill was over \$4,000. Due to the School's poor financial condition in the early years, the cell phones were closed and the balance paid by the School by, at least, the year 2000, according to testimony. Stewart did not attempt to distinguish personal from business expenses for these charges. Pitter was provided with a pager for which the School paid.
- In addition, Stewart testified that although another cell phone was never opened under the School's name, he was getting telephone calls from a collection agency, up until the time he resigned from the School, that phone bills in the School's name were not being paid. The collection agency was leaving several messages for Lyndon Pitter and he was not returning the calls. According to Stewart, when asked, Pitter stated that he did not know anything about these bills.

- In an e-mail from Wendy Clarke to Richard Simpson (former Board members) dated 8/24/2005, Clarke discusses concerns about cell phone usage by the Executive Director stating;

By the way, what's up with the cell phone bill that was mentioned at our last meeting? I still can't believe it. I'd like to know when the contract was actually signed, who authorized it, and how many of the phone calls were personal.....

Questionable Personal Travel Expenses

Based upon allegations concerning the appropriateness of School-funded travel expenditures, our investigation included a review of costs associated with certain conferences and field trips sponsored by the School. These included field trips for students and conferences for teachers and School Administrators that involved both international and domestic travel.

Analysis of this issue in the forensic audit report as well as a review of the evidence gathered in our investigation revealed that the School paid for certain travel-associated costs that were considered personal in nature. These included the School's payment of the travel expenses of the children of School Administrators, as well as payment by the School of unsubstantiated per diem costs and expenditures. Our investigation also led us to question the overall reasonableness of certain travel expenditures. In particular, the following travel events and costs are questioned:

- **July 1999 – San Francisco, California**

This trip was previously detailed in this report under the section regarding the misuse of the School's credit card by Lyndon Pitter. The School paid approximately \$20,000 for airfare, hotels, rental cars, meals, entertainment, electronic equipment, etc. associated with a MicroSociety Program. The trip included Lyndon and Nadine Pitter and their four children, as well as five staff from the School. In addition to inappropriate personal charges to the School, the excessive cost of this travel expense during a period of deficits is difficult to justify. Further, since neither Lyndon Pitter nor Nadine Pitter has any background or credentials in the education field, the need for their attendance, when five other staff from the School attended, is questionable as well. Finally, Nadine Pitter testified that the School did not use a MicroSociety curriculum, because it was too limited, that the School wanted to use something more global. If this trip were strictly an exploratory mission to see if the curriculum was appropriate, it is difficult to see why all of these individuals had to attend. At the very least, they could have waited until a determination was made that this was the curriculum model that they were going to use before investing tens of thousands of dollars in it.

- **October 1999 – Denver, Colorado**

This travel expense is detailed in the limited scope forensic audit report. (**Attachment 1**) Lyndon Pitter met with the Director of the Center for Teaching International Relations at the University of Denver to explore the possibility of retaining the Center to assist in building the School's international studies program. The forensic audit report states that, based upon supporting documentation, the number of people that traveled to Denver, besides Lyndon Pitter, could not be confirmed. The report notes that a Sprint PCS Retail charge for \$466.73 on American Express could not be identified as to the School purpose. Also, there was no supporting documentation for the \$800 per diem check issued to Lyndon Pitter for this trip. The hotel costs were charged on the School's American Express card. The School's *Personnel Policy and Procedures Handbook* states that the meal amount for employees is \$25 per day. Thus the reasonableness of the \$800 per diem check to Lyndon Pitter is questionable. Finally, the forensic auditor notes that Lyndon Pitter utilized the School's credit card to purchase \$7,824.56 of personal items during this trip.

- **July-August 2000 – Jamaica**

This travel expense also is detailed in the forensic audit report. From July 19, 2000, through August 4, 2000, approximately twenty students, six chaperones and a non-student child of a chaperone traveled to Jamaica. This included Lyndon and Nadine Pitter and three of their children. Two of their children are students at the school. The students participated in a summer camp at a school site and experienced the culture of the country as part of the Global Studies curriculum at the School.

The forensic auditor found that the expenses incurred for this trip appear to be reasonable. However, the forensic auditor was not able to determine if the chaperone, whose non-student attended, ever reimbursed the School for the travel expenses of that child. According to the School's policy relating to field trips, any child traveling with an adult chaperone would be at no cost to the school.

Nadine Pitter testified that her son was the non-student child of a chaperone that traveled to Jamaica on this trip. She testified that her son served as a chaperone on this trip and that she did not know who paid for her son's airfare. School policy does allow for reimbursement of costs associated with chaperones.

According to School policy, chaperones of the age of 16 or older are permitted at the approval of the Executive Director. In this case, Lyndon and Nadine Pitter's son was 13 years old at the time of the trip. An exception was made, according to Lyndon Pitter's testimony, to provide a one-on-one chaperone to a special education student.

- **March 2002 – Australia (12 days)**

The forensic audit report identified a trip to Australia by five staff members including Nadine Pitter, Associate Director, to attend an "Early Years Literacy Workshop".

This was a workshop for training in providing a balanced approach to teaching reading at the primary level. The cost for travel, hotel and meals amounted to over \$12,000. In addition, an on-site consultant from Australia came to the School in September/October 2002 at a cost of \$6,186 to support this training program.

The Early Years Program is described in the School's 2003-2004 Annual Report as follows:

Five staff members from Highville attended a two-week professional development program in Melbourne, Australia. The Highville staff undertook a program to become recognized as Trainers in The Early Years Program, which is an innovative program based on best practice and grows out of a strong research base...

To succeed in the implementation of this program, both teachers and administrators need to be fully conversant with the teaching principles involved. As a consequence of the in-service, Highville teachers have implemented the program with full administrative support, and much change is observable in lower primary literacy teaching as a result...."

We did not assess the appropriateness of the cost of this trip in relation to the value received. However, we do note that Nadine Pitter is not a teacher at the School and has no education-related credentials. In addition, two of the other four staff members that attended this workshop are no longer at the School. One of the staff members was a teacher at the school for about five years, but never obtained State certification. Finally, in testimony, Nadine Pitter stated that the program was only implemented for a short time and is not in existence currently at the School.

Mismanagement of State Grant Application Process Resulted in the Loss of Funds for School Building Improvements and Renovations.

- Our investigation revealed that the School did not obtain available State grant funds to support costs for school building improvements and renovations. This may be due, in part, to management's failure to prepare a proper and complete grant application to the SDE to support such grant funds. We found that the Executive Director had been charged by the School's Board to complete such an application, but failed to submit a grant application package that was acceptable to the SDE. As a result the School did not access grant funds up to \$500,000 that were available for such purposes. Thus, the School used operating funds or borrowed monies to support these expenditures.
- Connecticut General Statutes Section 10-66hh as amended by Section 50 of Public Act 03-76 and Section 24 of Public Act 03-2 provides that charter schools may apply for grants to the SDE in amounts not to exceed \$500,000 for expenditures related to school building projects. This includes school building projects as defined in Section 10-282 of the General Statutes, as well as general improvements to school buildings such as heating and ventilation improvements, carpeting, upgrades of restroom and

lighting, etc. Also, the Statute allows grant funds to be used for repayment of debt incurred for certain school building projects.

- On May 24, 2004, Lyndon Pitter as Executive Director of the School submitted a grant application package to the SDE. Based upon a review by the SDE Charter School Program Office in conjunction with SDE's Legal Office, Pitter was advised of certain deficiencies in the application package including requesting reimbursement for past renovation costs and for costs associated with future planned sites for which the application did not demonstrate that the School had a long-term interest in the building. A corrected grant application package was never received by SDE and the School did not receive any grant funds as a result.
- In a letter dated January 31, 2006, Pitter's attorney suggests that the School's failure to apply for this grant was due to the former CFO's concern that the grant application would be subject to SDE scrutiny that might disclose no-bid related party contracts for school renovation work. The former CFO and certain Board members testified that Pitter had responsibility for preparing the grant application and failed to follow through and complete the required paperwork for the State. The Executive Director, Lyndon Pitter, was the key contact in this matter according to the SDE Charter School Program Manager.
- Mismanagement of this process by School officials resulted in the School losing the opportunity to access much needed State grant funds. This is especially significant when considering that the School experienced a deficit of over \$300,000 for the fiscal year ended June 30, 2005.

Recent Developments Concerning The School's Financial Condition

Financial Statement and State Single Audits – Fiscal Year Ended June 30, 2005

The School submitted to the SDE in June 2006, its audited financial statements for the year ended June 30, 2005, including the required reports under the State Single Audit Act. The audit was performed by Bailey, Moore, Glazer, Schaefer & Proto, LLP, Certified Public Accountants hired by the School. These audit reports identified several significant findings regarding the School's financial condition and operations. In summary, the audit firm reported the following:

1. Note #10 to the financial statements contains a comment regarding the ability of the corporation to continue as a "going concern". The note identifies a decrease in net assets for the year of over \$300,000; that current liabilities exceed current assets by \$435,549; and that the corporation faces "uncertain conditions" regarding its loan arrangements.
2. Note #2 to the financial statements identifies a balance due from the Executive Director of \$59,584 as of June 30, 2005. The note indicates that the Executive Director is disputing \$22,279 of this amount which was a result of a questioned cost in the June 30, 2004 audit report.
3. Note #8 identifies various related party transactions for the year that included work performed at the School by Board members' relatives and the family relationship of the Executive Director and Associate Director.
4. The audit firm's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards identified instances of noncompliance with certain provisions of laws, regulations, contracts and grant agreements, as well as a material weakness in the internal control over financial reporting. In summary, this report states,
 - a. The Auditee did not in all instances separately identify allowable state costs by program. Also, adequate segregation of duties did not exist. Essentially all financial duties were performed by one individual without proper supervision or oversight. Record retention of supporting documentation was insufficient to verify all compliance requirements. This is considered a reportable condition and a material weakness in internal control.
 - b. Some teacher personnel files did not include documentation to support required certification. As a result, expenditures for uncertified teachers may be included on SDE Form ED001C.

- c. The eligibility of all students receiving free or reduced meals at the School could not be verified by a review of completed applications. A review by a representative of the SDE Bureau of Health and Nutrition Services and Child/Family/Schools Partnership found that documented evidence of eligibility did not exist for all students.

In a letter dated July 26, 2006, Mitchell Young, then Chairman of the Board of Directors of the School, provided a corrective action plan adopted by the Board of Directors responding to Raymond Inzero, Chief, SDE Office of Internal Audit. In the letter, Young stated that the School Board agreed with the above audit findings and identified planned corrective actions. The SDE is in the process of evaluating the information contained in this plan.

Reimbursement Claims Of Lyndon Pitter And Nadine Pitter

Background

The evidence obtained in our investigation shows that Lyndon Pitter currently owes \$83,069.97 to the School. (**Attachment 5**) This amount includes the confirmed unauthorized personal charges to School's credit card; the \$22,278.90 identified in the 2004 independent audit as the amount of salary that the School overpaid to his former wife, Nadine Pitter, while she attended college to obtain a nursing degree; unpaid telephone expenses relating to calls of a personal nature, as well as the significant salary advances that Lyndon Pitter has not paid back to the School to date.

During the course of this investigation, Lyndon Pitter and Nadine Pitter each presented certain claims for monetary reimbursement against the School. These claims are allegedly for unpaid salaries and various School-related expenses that allegedly were paid personally by Lyndon Pitter and not reimbursed by the School.

Investigative Findings and Conclusions -- Lyndon Pitter's Reimbursement Claims

Lyndon Pitter prepared a "Reimbursement Claim Summary" detailing items that he claimed the School owes him totaling **\$112,140.69**. (**Attachment 6**) This claim summary was presented in this investigation in the same package of materials that contained Pitter's fraudulent educational credentials. As such, the validity of the claim is highly suspect and, instead, appears to be an attempt by Lyndon Pitter to offset claims *against* him associated with the School. In particular, our review of this claim revealed the following:

- **\$36,000 for unpaid salary for 1998.** This item is discussed more fully in the investigative finding concerning credit card abuses by Lyndon Pitter. Our investigation found no evidence to support this claim.
- **\$36,755.56 for unpaid personal mileage dating back to 1998.** This claim represents an after-the-fact estimate that lacks any contemporaneous or other detail of actual trips taken and the purpose of such trips.

Lyndon Pitter testified as follows concerning this claim of unpaid mileage:

Q – On the second item, the mileage for the personal vehicle, \$36,755.56 - - can you explain that claim?

A – For those four or five years we didn't have any form of transportation.

Q – Did you ever present these claims on any periodic basis over a period of time and ask for reimbursement?

A – Interestingly enough, I did. ...we have made payments to other staff for mileage. Um, and this policy didn't prescribe, like say directly, how I should go about, um you know, um –

Q – Claiming?

A – Right.

Q – Can you say who and when you made that claim with or to?

A – The CFO.

Q – And so you had to put this out of pocket basically?

A – Basically, that's what happened.

Q – Well, did you attempt - - I mean you are the Executive Director. Couldn't you have ordered Stewart to issue a reimbursement check in accordance with policy on some of those mileage claims?

A – That's a good question. Maybe I should. However, as I said, my priority was at the time to ensure that the School was up and running. And he was fully aware of the policy. And so for me, I couldn't see why if it is in the policy that I should be asking, um, for reimbursement, that is number one. And number two, the simple fact that there was difficulty in cash flow, all right. It would be unreasonable for me to be asking for reimbursement because the priority for me is to make sure that the School is up and running.

Q – And so are you saying that you didn't ask for reimbursement at the time?

A – I never said that I didn't ask. I said that the policy was well known by everyone. Other staff had received reimbursement.

Q – Was there a form that you had to fill out to list the mileage and get your reimbursement?

A – You know, ... , one other thing that I would suggest to the state department is to establish a charter school resource center...

We also discussed this claim item with Dezroy Stewart, the former CFO of the School, and he testified as follows:

Q – This is a tab entitled “Reimbursable Claim Summary, Employee Name Lyndon Pitter.”

A – ... First of all, I've never seen this before, but I believe the intent of Lyndon - - before I left Highville, I gave Lyndon a schedule of what he owed the School along with what Nadine owed the School, and Lyndon knows that amount. Lyndon's attempt here - - because he knows the amount is over \$100,000 - - is almost to counteract saying, the School owes me this amount. Not only is this not true, if we owe Lyndon money at the end of any fiscal year, again we have to record it in our books as a payable to Lyndon. Never once before has Lyndon said these things.

Q – Was there a policy for reimbursing employees for mileage?

A – I believe there was a written policy. However, as it relates to administrative staff, it is my understanding - - I mean, if Lyndon had submit something, definite I'm sure reimbursement would have been executed,...

Q – Did you ever refuse reimbursement for mileage for any claim that he put in to you?

A – Never, never once.

Q – Mr. Stewart, is it possible that Mr Pitter did, in fact, travel this mileage and just did not want to put in a claim to the School?

A – It's very unlikely, extremely unlikely for a few reasons. The first is that most of the day when I were at School, to Lyndon's credit, he was there. Lyndon was there. And so I'd like to know when you were actually doing these travel. ...these reports would imply ... that Lyndon on School business was doing an average over 11,000 miles per year. These are miles that sales people ... I think these are miles that, if they're even true to begin with, Lyndon just probably wracked up on his own, and they're not business/School related miles. It's not out of the goodness of Lyndon's heart. When Lyndon was strapped for cash, Lyndon was scraping for the School to reimburse him for everything.

- **\$29,554.07 for accommodation cost for three (3) Amity Institute teachers.** This claim is for the lease of an apartment, utilities, cable, internet, furniture, food, clothing and gifts for three (3) foreign teachers brought to the School to teach foreign languages. This is for the period December 2001 – April 2003. The School entered into a contract with the Amity Institute in San Diego, California to provide for Amity Intern Teaching Assistants from foreign countries to teach foreign language to the students. The School paid Amity a fee and provided a spending allowance to each intern.

Lyndon Pitter claims that he was required to personally pay for the accommodations of these interns. The contract indicates that a host family would provide the accommodations. Pitter testified that after September 11, 2001 families were not willing to host interns from Muslim countries. As a result, he entered into a lease on an apartment of a parent of a student at the School. In addition to the lease costs and utilities, Lyndon Pitter's claim includes \$5,600 in gifts, \$500 in clothing, and \$1,600 for furniture and household items.

Our review of this claim indicates that there is no evidence that the Board approved these costs. According to the contract, a host family would be provided to cover accommodation and food costs. The individual would bring their own clothing. A stipend would be provided as this was basically an exchange program and not employment. Thus, even if Lyndon Pitter could prove he incurred costs for housing these interns -- which he did not do -- such costs were not Board approved or reasonable in nature, especially with regard to gifts provided to the Amity teachers.

Dezroy Stewart testified as follows:

A-And I'm kind of surprised to hear that Lyndon is now claiming that the exchange teachers or staff were there, because I remember when Lyndon - - the place that Lyndon had leased it or said that he was using it for rental, and I asked him why did he need to rent somewhere else? And he said his cousin was staying there. And then later on I'm saying, Why would you be paying rent for your cousin to be staying there? Very clearly, Lyndon told me it's

because of the immigration issue, that immigration had called him or set a date for him to come in, and one of the things that they wanted to establish is where he was living, and so he had to have an address, have some address separate from Nadine's address to go to the immigration. ... he even told me that whatever document he sent to the immigration, it's the [apartment].

Q – Did he ever tell you why he needed a separate address from Nadine for immigration purposes?

A – Yes. Because both of them had filed immigration petitions for green cards stating they were divorced and that each of them were married to different individuals aside from each other. So Lyndon was married to someone else separate, and Nadine was married to someone else separate. So they're divorced, have new lives, so to speak. So obviously they can't go to the immigration and have the same address, doing the same thing...

--

Lyndon Pitter has denied that his cousin lived in the apartment. As far as the immigration issue, we did not confirm this matter as it was considered outside the scope of this investigation. Regardless, this expense was not reasonable and necessary and was neither claimed by Pitter nor approved by the School Board at the time. As such, we do not consider this claim valid.

The additional minor claims on the claim summary lack substance as well. In some cases, such as the cell phone bill, the School portion is an estimate and in others the claim's validity, association with the School and reasonableness are questionable. We do not find these claims supportable.

Investigative Findings and Conclusions -- Nadine Pitter's Claim for Unpaid Salary While Attending Nursing College

- Nadine Pitter submitted a letter dated December 20, 2005, to the School Board Chair in response to the forensic auditor's request for information on the above subject. In addition, Nadine Pitter's attorney sent a letter to the School Board Chair dated December 11, 2005, claiming that Nadine Pitter is owed five months compensation for the period in which her salary payments were discontinued by the School for the last five months that she attended college. (**Attachment 7**)
- The forensic auditor's report states: "The School did not have time and attendance records that could have been reviewed to confirm Ms. Pitter's schedule. Therefore, due to the lack of time and attendance records and apparent conflicts between Ms. Pitter's schedule narrative and the interviewed individuals' recollection, we cannot corroborate Ms. Pitter's asserted schedule." (**Attachment 1**)
- Lyndon Pitter suggested in his testimony that because the former independent auditor, Michael Solakian, CPA, did not speak directly with Nadine Pitter, the audit finding in the 2004 audit report regarding Nadine Pitter is somehow invalid.

- According to both Lyndon and Nadine Pitter, Nadine, as Associate Director, reported directly to the Board rather than to the Executive Director. However, Nadine Pitter never attended any Board meetings in her role as Associate Director; including the October 16, 2003 Board meeting in which she and Lyndon Pitter contend that the Board authorized her to attend college for a nursing degree while on School time.
- Furthermore, Solakian testified under oath that he was unable to contact Nadine Pitter because she was never available and she never returned his calls. Furthermore, the Board members acted, when they became aware of this issue, to ensure that Nadine Pitter, was removed from payroll and the condition did not continue.
- For the reasons set forth above and earlier in this report during the discussion of the 2004 audit finding, we find no basis or support for Nadine Pitter's claims for back pay for the period she was taken off the payroll.

The School's Executive Director, Lyndon Pitter, Testified Falsely Under Oath About His Educational Credentials And Submitted Falsified Documents In Response To A Subpoena From The Attorney General's Office.

One of the allegations of the whistleblower complaint was that Lyndon Pitter lacked appropriate educational credentials to support his salary and position as a *de facto* Principal of the School. We sought to assess the validity of this allegation through Pitter's testimony under oath, and through our review of the documents that Pitter provided to us in response to the subpoena that we issued.

The Highville Mustard Seed Charter School's Executive Director, Lyndon Pitter, gave false testimony under oath several times about his educational qualifications and also submitted a falsified resume and falsified diplomas representing that he had a Bachelor's degree and a Master's degree from the University of the West Indies. Even when we asked Lyndon Pitter what his response would be if we told him that the University of the West Indies had no record of his having received any degrees, Pitter stood by earlier statements under oath that he had earned both degrees. It was not until a break in the examination that Pitter's attorney advised us that Pitter wanted to correct the record regarding his degrees. Following a break, when we resumed the examination under oath, we introduced into the record written confirmation from the University of the West Indies stating that the University Registrar had no record of Lyndon Pitter having received any degrees. At that point, Pitter stated on the record that he wished to recant his earlier testimony and to withdraw the falsified diplomas and falsified resume from the record.

These deceptive acts by Lyndon Pitter were followed by several other instances where Lyndon Pitter's testimony conflicted with the great weight of credible evidence obtained and reviewed throughout our investigation. This pattern in which Pitter's testimony is directly at odds with the testimony of other witnesses, as well as at odds with other information we reviewed, raises serious questions as to the veracity of the documents, information and the testimony that Lyndon Pitter provided to us in this investigation.

Lyndon Pitter's examination under oath began on April 12, 2006. On the first day of testimony, Pitter brought with him an eight page letter with 16 attached tabbed exhibits dated January 31, 2006, from his attorney, John M. Gesmonde, Esq., to Mitchell Young, then Chair of the Board of Directors of the Highville Mustard Seed Charter Development Corporation, Inc. Attorney Gesmonde wrote in the January 31, 2006 letter to Board Chair Mitchell Young that he was responding on Lyndon Pitter's behalf to Young's "December 14, 2005 inquiry regarding a forensic review underway at the Highville Mustard Seed Charter School ('Highville' or the 'School'), relating to certain allegations made against Pitter by the former Chief Financial Officer ("CFO") at the School and by one or more former members of the Board of Directors of the School."

In footnote 1 of his January 31, 2006 letter, Attorney Gesmonde referred Mitchell Young to attached tabbed Exhibit 8 “for personal, educational background and resume information” of Lyndon Pitter, which included: (1) a copy of Lyndon Pitter’s resume stating that Lyndon Pitter had earned a Bachelor of Science degree in Sociology and a Master of Science in Economics both from the University of the West Indies; (2) a copy of a diploma dated August 1, 1987, apparently signed by the University Vice Chancellor and the Registrar, stating that Lyndon Pitter had earned a Bachelor’s Degree in Sociology with Second Class Honours from the University of the West Indies; and, (3) a copy of a diploma dated September 29, 1989, apparently signed by the University Vice Chancellor and the Registrar, stating that Lyndon Pitter had earned a Master’s Degree in Economics with Second Class Honours from the University of the West Indies. (**Attachment 2**)

Mitchell Young previously had forwarded a copy of Attorney Gesmonde’s January 31, 2006 letter with the attached tabbed exhibits to the SDE Office of Internal Audit and to the Attorney General’s Office in response to our inquiries from the Highville Charter School about Lyndon Pitter’s educational credentials, as well as other aspects of his employment at the School. Upon receiving this information, we contacted the University of the West Indies to confirm whether Lyndon Pitter indeed did hold his Bachelor’s and Master’s degrees from the University. Rather than providing confirmation, the Assistant Registrar of the University of the West Indies-Mona Campus Examinations Section wrote on March 6, 2006, that there was no record of Lyndon Pitter having attended or earned any degree from the University:

No record of Lyndon Dean Pitter in the database at the Mona Campus of the University of the West Indies. I have checked with my counterpart at the University’s Campuses in Barbados and in Trinidad and the same response becomes applicable. The copies of degree certificates presented by Mr. Pitter as being awarded by this University cannot be verified as authentic.

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Lyndon Pitter’s examination under oath commenced with questions about his background, his educational credentials and work experience. When we asked Pitter questions under oath about his educational credentials, Lyndon Pitter’s attorney specifically referred us to Pitter’s resume contained in attached tabbed Exhibit 8:

Q - All right. Well, then let me go into your educational background. Can you give us information on that?

A- I went to the University of West Indies. High School I attended Cemperdown High School. That’s in Jamaica. . . .

Attorney Gesmonde - I don’t know how many of you have seen the report [January 31, 2006 letter and attached tabbed exhibits]. His resume is in tab 8-A and contains some of the things you’ve been asking him

about, such as his schooling and his prior employment periods of time, and it might facilitate....

At this point in the examination under oath, the January 31, 2006 letter from Attorney Gesmonde to then Board Chair Mitchell Young, along with the attached tabbed exhibits, formally was entered into the record. We then questioned Pitter about the University degrees that he had listed on his resume:

Q - Can you go to your resume. Can you tell us what you said you went to the University of West Indies?

A- Um-hum.

Q- You have some degrees from that University?

A-Yes.

Q-And can you tell us what those are?

A-Sociology, Bachelor's of Sociology and a Master's of Economics.

Q-And when did you graduate from there?

A-'89.

Q-You received your Master's degree in 1989?

A-Yes.

Q-And what about the Bachelor's degree?

A-'87.

We were concerned about the discrepancy between Lyndon Pitter's statements under oath that he had earned both a Bachelor of Science and a Master's Degree from the University of the West Indies, and the March 6, 2006 letter from the Assistant Registrar of the University of the West Indies stating that there was no record of Lyndon Dean Pitter at the University of the West Indies. We therefore asked Lyndon Pitter what his response would be if we told him that we had contacted the University of the West Indies, and that they had no record of his having received any degrees. Lyndon Pitter stood by his earlier statements and again stated that he had both degrees:

Q- Lyndon, you mentioned and it's noted in your resume that you have a Master's Degree in Economics as well as a Bachelor's in Sociology. Is that correct?

A- Um-hum.

Q- And you obtained those from the University of West Indies. Is that correct?

A- Yes.

Q- If I told you that we contacted the University of West Indies, and they have no record of your degrees ----

A- Um-hum.

Q- What would your response to that be?

A- I wouldn't—I would be unable to respond to that.

Q- Okay. Do you have any idea why they would not have record of your degrees?
A- I wouldn't know.
Q- Are those in fact your degrees from the University of the West Indies?
A- Yes. I asked my brother to fax me the copies.
Q- Where did you obtain those copies of the degrees?
A- I had a relative fax it to me because I didn't have the original here.
Q- This relative is in Jamaica?
A- Yes.
Q- And when did that take place?
A- I think during the process of when I was asked to appear for the response.
Q- Okay. And would you be able to obtain your original certificates for our review?
A- I should be able to.
Q- And can you contact the University and have them forward a transcript of your courses as well as confirmation that you graduated.
A- Um-hum.
Q- With both the degree in sociology and a degree in economics to the Attorney General's Office?
A- I will do that.
Q- Okay. So just to be clear, it's your testimony under oath today that you have a Bachelor's Degree in Sociology from the University of West Indies.
A- Yes.
Q- And it's further your testimony that you have a Master's in Economics from the University of West Indies.
A- Yes.

During a break in the examination, Attorney Gesmonde approached us and advised us that Lyndon Pitter wanted to correct the record regarding his degrees. When we resumed the examination under oath, we introduced into the record the written confirmation from the University of the West Indies stating that the University Registrar had no record of Pitter having received any degrees. At that point, we asked whether Pitter wished to supplement, correct or amend any of his prior answers in light of this letter. Pitter responded that he wished now to withdraw his earlier statement that he had either a Bachelor's or a Master's degree from the University of the West Indies:

Q- At this point, turning only to the first paragraph of this memorandum, I would ask you – could you summarize in your words what the first paragraph of this memorandum states?
A- That they have no record of me graduating from the University whether from Mona, Barbados or in Trinidad.
Q- And does this memorandum state that the copies of degrees certificates?

A- Cannot be authenticated, verified to be authentic...

Q- At this point, Mr. Pitter, would you having reviewed [the March 6, 2006 letter from the University of the West Indies Assistant Registrar], would you like to clarify or amend or modify your previous answers to questions about your educational background at this point.

A- I would like to withdraw my statement that I graduated from the University of West Indies with a Master's or a Bachelor of Sociology.

At this point, Lyndon Pitter's attorney requested us not to ask any further questions of Pitter about his educational credentials. We agreed to defer further examination on this issue to accommodate the request by Pitter's attorney to do so. When we resumed Pitter's examination under oath at the next session, we offered Pitter an opportunity to explain why he had provided the false diplomas and had testified several times under oath that he had these degrees. Pitter declined the offer to allow him to explain his actions in this regard.

At the conclusion of this first day of testimony, by letter dated August 13, 2006, to Donald F. Houston, counsel for the Highville Charter School, Education Commissioner Sternberg and Attorney General Blumenthal demanded that the Board of Directors "immediately remove Lyndon Pitter from his duties at the Highville Mustard Seed Charter School for providing the Board and our offices with false documents and diplomas misrepresenting his educational background."

Two weeks after receiving the letter from the Attorney General and the Education Commissioner demanding the removal of Lyndon Pitter from his duties as Executive Director of the School, Lyndon Pitter voluntarily resigned from his position as Executive Director. The Board of Directors then voted to appoint Lyndon Pitter to the new position of the School's Director of Strategic Planning and Resource Development. The evidence shows that the Highville School Board did not reduce Lyndon Pitter's annual salary even though they changed his title from Executive Director to Director of Strategic Planning and Resource Development.

Prior To The 2005-2006 School Year, The School's Board Of Directors And The School's Administration Failed To Properly Fulfill Their Respective Governance And Management Responsibilities.

Background

The Board of Directors and the Administration of the School at all times had, and continue to have, a fiduciary obligation to direct and manage the School's resources, including considerable state and federal funds it receives, to carry out the School's educational purpose. The evidence developed by our investigation reveals that the School Board and its Administration – particularly, its Executive Director, Lyndon Pitter – failed in significant ways to fulfill their fiduciary obligations to the School in the years prior to the 2005-06 School year.

A charter school is defined by statute as a “public” school. See Connecticut General Statutes § 10-66aa. The governing council of a Connecticut charter school has a duty to oversee the charter school's financial management and operation. See Connecticut General Statutes § 10-66bb (d) (3). Connecticut's charter school law requires the governing council of a charter school to demonstrate effective leadership in overseeing the operation of the charter school, and to ensure that public funds are expended prudently and in a manner required by law. See Connecticut General Statutes § 10-66bb (h) (2) and Connecticut General Statutes § 10-66bb (i) (4).

A charter school must be organized and operate as a “a non-profit entity.” See Connecticut General Statutes § 10-66aa. The mandated non-profit status of a charter school imposes additional fiduciary obligations on charter school directors and officers. In particular, the duty of care requires that a director or officer of a charter school discharge his or her duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director or officer reasonably believes to be in the best interests of the corporation. See Connecticut General Statutes § 33-1104 and § 33-1111. The duty of undivided loyalty to the charter school requires that a director or officer put the welfare of the charter school ahead of individual personal interests. Directors and officers must act in a way that is consistent with the charter school's mission, must follow the charter school's governing documents, must assure that funds are used for lawful purposes, and must comply with state and federal laws applicable to the charter school.

At all times during the operation of the Highville Charter School, the Board of Directors of the Highville Mustard Seed Development Corporation has served as the School's governing council. The Board of Directors had and continues to have a critical oversight function and ultimate authority in all policy, financial and operational decisions relating to the School. The Board of Directors, furthermore, is presumed to speak with “one voice.” In other words, an individual member of Board of Directors possesses no independent authority except where he or she has been expressly appointed to act on behalf of the collective Board. In turn, the School's Executive Director, with assistance

and support of the other members of the Administration had the duty to implement the financial, operational, personnel and programmatic policies and strategic plans of the School Board.

The record of this investigation raises troubling questions about whether the Board of Directors, Executive Director and other key members of the School Administration, fulfilled their respective roles and fiduciary obligations. The Board of Directors failed to exercise proper oversight over the School's operation, and the Board failed to hold the Executive Director and the School Administration accountable for the serious mismanagement of the School's resources. The evidence strongly suggests that several factors working both independently and together contributed to the dysfunction in governance and management at the School, including, an inexperienced and ineffective Board of Directors that at a significant and fundamental level: (1) failed to define Lyndon Pitter's role as the School's Executive Director, or hold Lyndon Pitter accountable for his financial mismanagement and misuse of School's resources; (2) failed to engage in informed and meaningful decision making on issues involving significant School resources; and, (3) failed to identify, disclose and resolve the actual and apparent conflicts of interest that permeated all levels of the School.

Investigative Findings and Conclusions

- **THE HIGHVILLE CHARTER SCHOOL'S BOARD OF DIRECTORS LACKED AUTONOMY AND INDEPENDENCE FROM THE EXECUTIVE DIRECTOR, AND, AS A RESULT, FAILED TO EXERCISE PROPER OVERSIGHT OF THE SCHOOL'S OPERATION.**

The governing council of a charter school is required to set all financial, personnel and operational policies for the charter school, and to oversee their implementation. The evidence developed from our investigation shows that prior to the 2005-2006 School year, the Board of Directors was actively recruited and selected by the School's Executive Director, Lyndon Pitter. The evidence developed from our investigation also demonstrates that personal connections and obligations of many Board members to Lyndon Pitter unduly interfered both with the School Board's objective decision making as well as with the Board's ability to hold Lyndon Pitter accountable for the impropriety of his actions as Executive Director. The evidence also shows that many Board members did not understand their roles. As a result of these factors, the School Board was weak, ineffective and failed to properly exercise its oversight function.

- **Credible evidence shows that Lyndon Pitter selected and actively recruited each of the members of the School's Board of Directors, and that Pitter exercised undue influence over these Board members.**

The evidence shows that the composition and organization of the Board of Directors did not correspond either with the description in the School's charter application or with the by-laws of its non-stock "parent" corporation, the Highville Mustard Seed Development Corporation, Inc. Highville Charter School's charter application, which

Lyndon Pitter submitted to the State Department of Education in December 1997, provides the following description of the School's proposed governing council:

The Board of Trustees will be appointed by the Board of Directors of the Highville Mustard Seed Development Corporation. This group of 12-15 members will be made up of representatives from the following groups. The participating colleges, the Highwood Neighborhood Revitalization Zone Committee, the Newhallville Enterprise Community: One of the neighborhood block watches, the Youth Services Committee, the Chamber of Commerce, and four community residents, two from Newhallville, two from Highwood. Each member will be appointed by his/her respective group to serve on this Board for a period of three years. Selection by each member group will be determined by that group. In the event of a Board members' inability to complete his or her term, an alternate will be selected by the member group to complete the term of service...

Highville charter application, p. 80.

The Brody-Weiser-Burns study however, paints a very different picture that stands in stark contrast with the description of the Board's composition as set forth in the charter application.³ The Brody Weiser Burns Study found that "the Board [of Directors] has been 'handpicked' by the Executive Director. Personal relationships between Board Directors and the Exec. [sic] Director has challenged objective decision making and accountability." Brody-Weiser-Burns study (August 2005), p. 15.

The evidence developed from our investigation is consistent with the findings of the Brody Weiser Burns study. The School's Board of Directors at all times during the School's operation only consisted of up to eight Directors, rather than the 12-15 Directors from the different constituencies in the community as set forth in the charter application. The evidence shows, moreover, that the School's Directors served in perpetuity rather than the three-year terms as described in the charter application. There are no resolutions or minutes of the Board of Directors prior to September 2005 reflecting the reappointment of any Director after his or her initial appointment to the School Board.

The evidence developed by our investigation also confirms that Lyndon Pitter selected and actively recruited each of the School's Board of Directors prior to the 2005-2006 School year. The evidence shows that each of the Board of Directors had a personal friendship, a personal connection, and in certain cases, a personal obligation to

³The current Board of Directors and Lyndon Pitter have challenged the validity of the Brody-Weiser-Burns study. We reviewed and used the Brody-Weiser-Burns report only for the limited purpose of understanding the background and context of the events transpiring at the Highville Charter School. Our findings and conclusions are based on the evidence and testimony that we independently gathered in conducting this investigation. We do note, however, that although we have not relied on the Brody-Weiser-Burns study as evidence in our investigation, our findings and conclusions are consistent with those contained in that study.

Lyndon Pitter. Several of the School Board of Directors came to know Lyndon Pitter through their common association with the Jamaican American Movement, an organization in greater New Haven County whose purpose was to promote West Indian issues and causes. The evidence shows that Lyndon Pitter approached each of the School's Board of Directors and urged them to join the Board.

The evidence shows that Lyndon Pitter hired the close relatives of two Directors --- School Board Chair Berita Rowe-Lewis and School Board Treasurer Wendy Clarke -- after these Directors had been appointed to the School Board. Berita Rowe-Lewis joined the Board in 1999 and served as School Board Chair from January of 2002 through her resignation from the Board in early September of 2005. The evidence shows that Rowe-Lewis's sister, Marcia Banton, was employed by the School as a food service worker from 2000 through 2005. Wendy Clarke also joined the School Board in 1999 and served as School Board Treasurer from January 2002 through her resignation from the School Board in September 2005. Clarke's father, Justin Clarke, and her mother, Sioney Clarke, provided maintenance and cleaning services for the School. In addition, Clarke's father also operated two vending machines at the School.

Lyndon Pitter has denied that he was involved in hiring the relatives of Board Directors to work at the School. The great weight of credible evidence developed from our investigation clearly demonstrates, however, that as Executive Director, Lyndon Pitter had operational control over the School, and that he also had ultimate authority on hiring and firing other School Administrators, teachers and staff.

The evidence shows that Lyndon Pitter was actively involved in the 2003 campaign of Board Chair Berita Rowe-Lewis for Hamden Town Council. The evidence shows that Lyndon Pitter solicited and received a \$250 contribution for Rowe-Lewis's campaign from Douglas Bromfield, whose company, Capital Restoration, Inc., was awarded a no-bid contract to perform significant renovations at the School in 2003 and 2004. The evidence also shows that Lyndon Pitter directed School resources to Berita Rowe-Lewis's campaign activities. Larry Lucky, the Food Service Director at the School from 1999 through November 2005, testified that Lyndon Pitter directed him to prepare food during the School day on election day in November 2003, and to deliver it to the Keefe Center in Hamden for campaign workers.⁴

- **Many members of the Board of Directors lacked experience, training, and understanding about their role, purpose and function.**

⁴We note that “[u]nder the Internal Revenue Code, all section 501 (c) (3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. The prohibition applies to all campaigns at the federal, state and local level. Violation of this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes. . . . Allowing a candidate to use an organization's assets or facilities will also violate the prohibition if other candidates are not given an equivalent opportunity.” Internal Revenue Service FS-2006-17, February 17, 2006.

Many of the Directors, particularly the two Board members selected by Lyndon Pitter to be Board Chairs, lacked any relevant experience and training in their roles and responsibilities as Directors of the School Board. Gwendolyn Lambert, who was a retired nurse's aide throughout the time she sat on the Board, testified that Lyndon Pitter asked her to become the Chair of the Board because she had "a lot of time on [her] hands." When Lambert told Pitter that she "didn't know anything about" leading the governing council of a charter School, Lambert testified that Pitter assured her that he "would help [her] along." Similarly, Berita Rowe-Lewis, who worked in the food services area at Yale-New Haven Hospital, testified that Lyndon Pitter recruited her to replace Gwendolyn Lambert as the School's Board Chair in 2002. Like Lambert, Berita Rowe-Lewis testified that she did not have any prior experience in the governance of a non-profit organization, and that she had to "learn on the job."

The evidence shows that the School Board did not receive regular training on their responsibilities or duties as members of the School Board. Similarly, newly appointed members of the School Board did not receive any orientation prior to assuming their positions on the Board. For example, Stefanie Cervoni Leng, a second grade teacher at the School recruited to join the School Board by Lyndon Pitter as a teacher representative⁵, testified that she had no experience serving on a non-profit Board of Directors prior to her appointment to the School Board on October 16, 2003. Cervoni Leng also testified that she never received any orientation or training regarding her duties or responsibilities as a Board member. In spite of this lack of orientation and training, Cervoni Leng was appointed the Recording Secretary for the School Board and took the minutes at the very first School Board meeting that she attended on October 16, 2003.

Finally, the evidence shows that there was a period of extended absenteeism by Ronald McMullen, who, as Professor of Management at Quinnipiac University, was one of the few Board Directors who did have understanding, experience and expertise in and about the governance of non-profit organizations. The evidence shows that over the years of his membership on the School Board, Professor McMullen developed a serious and increasing concern that Lyndon Pitter was exercising total control over the actions of the School Board, and that Lyndon Pitter would not let the Board independently act as an oversight body. McMullen testified that he deliberately absented himself from Board meetings for an extended period without formally submitting his resignation from the Board as a form of protest against Lyndon Pitter's controlling behavior.

- **THE BOARD OF DIRECTORS FAILED TO DEFINE LYNDON PITTER'S ROLE AS THE SCHOOL'S EXECUTIVE DIRECTOR AND FAILED TO HOLD LYNDON PITTER ACCOUNTABLE FOR HIS FINANCIAL MISMANAGEMENT OF THE SCHOOL'S RESOURCES UNTIL THE 2004 INDEPENDENT AUDIT REPORT WAS ISSUED.**

The role of the Executive Director of a charter school is to implement the financial, operational, programmatic and personnel policies and decisions of the school's governing council. Chief among the shortcomings of the Highville Charter School's Board of

⁵Conn. Gen. Stat. § 10-66b requires that a charter school's governing council include "teachers, parents and guardians of students enrolled in the School."

Directors was the Board's failure to define with clarity the role of Executive Director of the School and his relationship with the School Board. The evidence shows that Lyndon Pitter never received an employment contract detailing his duties or salary as Executive Director. There is no evidence that the School Board regularly evaluated Pitter's performance as Executive Director. Furthermore, prior to the issuance of the independent audit of the School for the fiscal year ended June 30, 2004 ("2004 Audit"), the School Board failed to take any action to hold Lyndon Pitter accountable for his financial mismanagement of the School's resources.

- **The Board of Directors failed to define Lyndon Pitter's role as Executive Director of the School.**

Lyndon Pitter testified that when the Highville Charter School opened in 1998, neither he nor the Board of Directors intended him to be the Executive Director of the Highville Charter School. Lyndon Pitter testified that, instead, Joan Avitable, who was a school administrator in the New Haven Public School District and also a former School Board member, had been hired for the position of Head of the School. Pitter testified that Avitable decided not to take the position right before the School year was set to start in August 1998. It was at that time that Pitter decided to "assume responsibility of directing both the corporation and the School." Lyndon Pitter stated that he did not "recall any presentation made to the Board of Directors" regarding his appointment to the position of Executive Director. Rather, he asserted, the sole concern of the School Board at that time "was to have the School open at that time on time."

Gwendolyn Lambert testified that when she was Board Chair she "didn't personally set [Pitter's salary] because [she] didn't even know that we should set his salary or [she] should set his salary." Lyndon Pitter and School Board members all testified that the School Board never had a written contract or employment agreement with him during his tenure as Executive Director. Our review of the record in this investigation did not reveal any Board meeting minutes, Board resolutions, or any other documentation indicating that the School Board considered the bases for Lyndon Pitter's compensation as Executive Director, such as his educational credentials, skills, or relevant work experience.

Also absent from the record in this investigation is any evidence that the School Board conducted regular, timely and diligent evaluations of Lyndon Pitter in his role as Executive Director. There is no evidence that the School Board ever formulated clear performance objectives, benchmarks or goals against which the Executive Director was to be measured. Neither Gwendolyn Lambert nor her successor as School Board Chair, Berita Rowe-Lewis, recalled in their testimony having any memory of having evaluated Lyndon Pitter.

In response to subpoenas from the Attorney General's Office, Lyndon Pitter did provide copies of two "Administrator Evaluation" forms dated May 18, 2001, and May 20, 2002, respectively, signed by Pitter and by Berita Rowe-Lewis. However, these evaluation forms that Pitter provided in this investigation add to, rather than lessen, the

doubt about whether the Highville Charter School Board ever evaluated Lyndon Pitter as Executive Director of the School based upon clear and meaningful criteria. First, there is no evidence in the minutes, policies or resolutions of the Board of Directors, that Berita Rowe-Lewis was authorized individually to conduct an evaluation of the Executive Director on the Board's behalf. Furthermore, both of these Administrator Evaluation forms that Lyndon Pitter provided are substantially incomplete – e.g., the heading “Administrator Goals for the Year” is completely blank, as is the section requesting “a summative statement of the administrator’s performance based on the rating of an effective administrator and accomplishment of the written goals.” The forms ask the evaluator to rate the Administrator on a scale of 1 (Meets Standards) to 3 (Unsatisfactory) in a series of nebulous and poorly defined “indicators of an Effective Administrator” (e.g., Vision, Enthusiasm, Initiative and Strong Sense of Self). There is no evidence in the record that that the School Board set any performance goals for Lyndon Pitter – let alone the vague categories set forth in the two Administrator Evaluation forms that Pitter provided to us in this investigation. Nor is there any evidence that Lyndon Pitter had any understanding of any performance measures against which he would be evaluated in his role as Executive Director.

- **The School Board took no action to hold Lyndon Pitter accountable for his financial mismanagement before the 2004 Audit Report was issued.**

A review of the credible evidence developed by our investigation shows that the Board of Directors of the Highville Charter School failed to take any meaningful action to hold Lyndon Pitter accountable for his financial mismanagement of the School's resources in the years prior to the issuance of the 2004 Audit.

Our review of the testimony and other evidence shows that the Highville School Board should have been aware that Lyndon Pitter was using the School credit cards to make unauthorized personal charges. First, the evidence shows that Board Chair Gwendolyn Lambert had notice that Pitter was using the School credit card for unauthorized purchases. At Lyndon Pitter's urging, Lambert agreed to apply for the credit cards on behalf of the School. Gwendolyn Lambert further testified that when she was Board Chair she received a call from a woman from American Express notifying her that the School credit card was being used for personal purchases made by Lyndon Pitter. In spite of the fact that Lambert was a signatory to these School credit cards, that she had notice that Pitter was using the credit cards for personal purposes, and that she even had to pay income tax based on the Cancellation of Debt by American Express in resolving these bills, there absolutely is no evidence in the record of this investigation that Lambert at that time formally or informally discussed how to handle this issue with one or more of the members of the Board of Directors.

The evidence shows, instead, that Gwendolyn Lambert relied entirely on Dezroy Stewart, the School's former Chief Financial Officer – a relative of Nadine Pitter and Lyndon Pitter -- to handle the misuse of the School credit cards. The evidence shows that Dezroy Stewart cancelled the School's credit cards in 1999, that he booked the amount that Lyndon Pitter owed as a \$12,000 loan on the general ledger, and that he negotiated a

reduction of at least \$10,000 off the outstanding amount due on the School credit cards. Although the cancellation of the credit cards by Stewart precluded Lyndon Pitter from making further charges to the School's account, the Board of Directors took no action to reprimand Pitter or hold him accountable for paying the amounts that he owed back to the School.

Furthermore, even though Gwendolyn Lambert did not bring the misuse of the School's credit cards to the attention of the entire Board of Directors, there is evidence in the record that other members of the Board of Directors had noticed that Lyndon Pitter was misusing credit cards, and still failed to take any action to hold Pitter accountable for his financial impropriety. By letter dated November 30, 2000, the School's outside independent auditor, Michael Solakian, CPA, of Solakian & Caiafa, LLP, informed the Board of Directors that personal charges had been made on the School's credit cards. In that November 30, 2000 letter, Solakian explicitly advised against the continuation of this practice at the Highville Charter School. School Board member Wendy Clarke acknowledged in her testimony that Solakian had "raised some of these immaterial issues in past Board meetings or past audit meetings, committee meetings," but that the Board of Directors was "so focused on the larger picture -- was there a deficit position -- that no one paid attention."

Aside from the actions by Dezroy Stewart in canceling the credit cards and booking the \$12,000 loan due from Lyndon Pitter there is no evidence in the record that the Highville School Board made any effort to determine how much Lyndon Pitter had charged on the credit cards, or to recover the amount that Pitter owed to the School based on those unauthorized personal charges. There also is no evidence in the record of any formal reprimand of Lyndon Pitter, or of any other type of disciplinary action taken against Lyndon Pitter by the Board for these abuses.

The Board also failed to exercise sufficient due diligence in holding Lyndon Pitter accountable for repaying the significant loan advances he received from the School between August 1, 2001 and September 20, 2004. The forensic audit found that the "Executive Director, and, to a lesser extent, the Associate Director, received loan/advances that totaled \$57,539 during the period August 1, 2001 through September 20, 2004." Schedule H. of the forensic audit (**Attachment 1**) shows that for 11 out of the 16 salary advances made to Lyndon and Nadine Pitter out of School funds – including, a salary advance to Lyndon Pitter of \$20,000.00 on August 1, 2001 – there is no evidence of any written loan agreements between the School Board and Lyndon Pitter or Nadine Pitter stating the terms of repayment of these advances to the School. Similarly, there is no record in the minutes of Board meetings approving or discussing any of the 16 salary advances made to the Pitters. Nor is there any record that the Board exercised any due diligence to determine whether Lyndon Pitter or Nadine Pitter repaid in full the advances on a timely basis, even including the five loan advances for which there were signed salary advance agreements on file at the School.

As with the Board of Director's inadequate response to Lyndon Pitter's abuses of the School credit cards, the Board's failure to hold Lyndon Pitter accountable for repaying

the significant salary advances is a breach of the Board's fiduciary duties to the Highville Charter School. In abdicating its duty to oversee the actions of Lyndon Pitter as Executive Director, and by failing to hold him accountable for the misuse and mismanagement of the School resources for his own personal benefit, the School Board failed to carry out its obligation to supervise the management of the School to ensure that public funds were directed to their intended purpose -- namely, the welfare and benefit of the students of the School.

- **When the 2004 Audit Report of the School was issued, the members of the School Board's Finance Committee did take steps to hold Lyndon Pitter accountable for his financial mismanagement of the School's resources.**

The evidence shows that when Michael Solakian, the Highville Charter School's outside independent auditor, issued the audit report of the School for the fiscal year ended June 30, 2004, three members of the Board of Directors that comprised the Executive Committee/Finance Committee ("Finance Committee") of the Board of Directors did try to take action both to hold Lyndon Pitter accountable and to recover School funds that had been identified to have been misused by Lyndon Pitter and Nadine Pitter. The evidence shows that the members of the Finance Committee tried to take corrective action to improve the governance and management at the School.

Michael Solakian testified that Dezroy Stewart informed him that Nadine Pitter had not been showing up for work at Highville Charter School during the 2003-2004 School year, but that she was still getting paid as Associate Director of the School. On receiving this information from Stewart in early October 2004 while he was conducting the audit, Solakian stated that he felt compelled to call an emergency meeting of the Finance Committee of the Highville Charter School Board. At that time, the Finance Committee consisted of three Board members – Board Chair Berita Rowe-Lewis, Board Treasurer Wendy Clarke and Board member Richard Simpson. At the meeting, Solakian told the Finance Committee that the Board of Directors needed to take action immediately to investigate this "reportable" condition regarding the misuse of State funds, and to obtain repayment from Nadine Pitter or Lyndon Pitter for this misuse of the School's funds for unauthorized personal use. Although the Finance Committee did take steps to hold Lyndon Pitter accountable for repaying the funds that he had misappropriated, the Finance Committee did not consult with or report to the full Board of Directors about this plan.

The evidence shows that the Finance Committee confronted Lyndon Pitter about Finding #2004-01 in the 2004 Audit Report that "[t]he Executive Director and Assistant Director have either used the Organization's funds for personal expenses, or have not documented work performed for wages paid." The Finance Committee took action to suspend salary payments to Nadine Pitter in November 2004 based on the 2004 audit finding. Furthermore, they obtained an acknowledgement from Lyndon Pitter in a letter dated December 10, 2004, to Board Chair Berita Rowe-Lewis, that Lyndon Pitter 1) authorized Nadine Pitter to attend nursing School while receiving full salary, and 2)

agreed to repay the School for her salary in the amount identified in the 2004 Audit Report.

Furthermore, by letter dated July 22, 2005, to Raymond Inzero, Chief of the Office of Internal Audit at the State Department of Education, Board Treasurer Wendy Clarke submitted a Corrective Action Plan for the Highville Charter School. The Corrective Action Plan that Wendy Clarke sent to the State Department of Education Office of Internal Audit, accepted the recommendation of Michael Solakian that the School require “approval of all expenses and wages paid to the Executive Director and Assistant Director by the Financial Officer and a member of the Board.” The Corrective Action Plan also set forth the following reforms and changes in the School’s governance and management, including: (1) voting to terminate the School’s salary advance program, and authorizing the School’s Chief Financial Officer to deduct all outstanding salary advances beyond 30 days late from weekly paychecks; (2) tasking the Executive Director to define professional development and those expenses that are deemed eligible for reimbursement by the School; (3) requiring the approval of the Personnel Committee of the Board of Directors to approve professional development; and, (4) charging the Executive Director to establish a conflict of interest policy clarifying the duty of the School Board, Administration and Staff to disclose and avoid conflicts of interest.

The evidence shows that the State Department of Education approved the Corrective Action Plan that School Board Treasurer Wendy Clarke submitted. The evidence shows, however, that the School Board never implemented this Corrective Action Plan because the three members of the Finance Committee, who had fashioned the plan, each resigned from the Board of Directors after the September 2, 2005 Board meeting.

- **THE BOARD OF DIRECTORS DID NOT ENGAGE IN INFORMED OR MEANINGFUL DECISION MAKING ON MATTERS INVOLVING SIGNIFICANT SCHOOL RESOURCES.**

The evidence reviewed in this investigation shows that the Board of Directors failed to engage in effective decision making on significant policies and issues involving the use of the School’s financial resources. There is no evidence in the record that the Board engaged in a systematic and deliberate process of reviewing relevant background information, discussing issues at Board meetings, or working toward consensus and compromise in coming to an agreed upon course of action. This failure is symptomatic of the fundamental lack of understanding by Board members about their collective role, responsibilities and ultimate authority in decisions affecting the welfare of the School.

- **Lyndon Pitter set the agendas for all Board meetings without consulting with or notifying the Board of Directors before the meeting.**

One of the findings in the Brody-Weiser-Burns study was that the “Executive Director manages and directs the Board. e.g., All Board agendas and direction are set by the Exec. [sic] Director with little or no input from Board.” Our review of the evidence in this investigation is consistent with this finding. Specifically, the evidence shows that Lyndon Pitter set the agenda for all the Board meetings without any input from the Board

Chair, and that he never provided any Board member with the meeting agenda until the night of the Board meeting. The evidence shows, furthermore, that Lyndon Pitter did not provide any relevant background information to the Board Directors to review in relation to any proposed agenda items. Thus, the Board did not have access to relevant information to make decisions on issues, many of which involved significant resources of the School.

Instead, a review of the minutes of the Board meetings reveals a troubling and longstanding pattern of unilateral action by Lyndon Pitter on significant issues involving resources of the School without consulting with the Board of Directors. The evidence shows that during the very first year of the School's operation, Anthony Sacchetti, who was then the School Board Chair, expressed serious concerns at a March 30, 1999 Board meeting that Lyndon Pitter had made an offer to purchase a facility to house the School without seeking any input or approval from the Board. Although the purchase of the Colonial Diner building never came to fruition, Sacchetti's remarks forecast what would become a pattern and practice by Lyndon Pitter of unilateral action:

Offer for Colonial Diner Building: Mr. Pitter announced that he had sent a letter making a tentative offer for the Colonial Diner Building. The Board unanimously passed a resolution empowering him to pursue this purchase. *Sacchetti voiced his concern that in the future the Board be consulted, by emergency measures if necessary, before any action of this magnitude is taken.* (Emphasis added.)

The evidence shows that Lyndon Pitter continued this practice of taking unilateral action without seeking Board input or approval. In the summer of 2003, Lyndon Pitter hired the construction firm owned by Douglas Bromfield, a close personal friend of Dezroy Stewart, to perform major interior renovations to the facility in Hamden leased by the School. There was no evidence in the record that Lyndon Pitter apprised the Board of Directors of plans for these renovations – or who should be considered to be hired to perform the work -- until well after the work was completed in October 2003.

Finally, the evidence shows that as late as January 2005 Lyndon Pitter applied to amend the School's charter to include a secondary school without notifying the Board prior to doing so. Wendy Clarke testified that as late as January 2005, Lyndon Pitter submitted an application on behalf of the Highville Charter School to the State Department of Education for a secondary school charter "without any consult or input from the Board of Directors."

- **The minutes, resolutions and other records of the School's Board of Directors lack substance, detail and clarity.**

The minutes of the meetings of the Highville Charter School Board, as well as the resolutions of the Board, manifest a cursory, haphazard and disorderly approach by the

School Board to significant issues and policy decisions, rather than an open, substantive, and deliberative decision making process.

For example, the minutes of the October 16, 2003 meeting of the Board of Directors are so lacking in detail and clarity that they fail to provide any kind of reliable or accurate indication of what precisely the Board intended in approving Nadine Pitter to attend “Professional Development Training.” The evidence shows that Stefanie Cervoni Leng took the minutes of the October 16, 2003 meeting, even though it was the very first Board meeting she ever attended, and even though she had no prior experience, orientation or training about her role and responsibilities as a Board member, let alone as the Board’s Recording Secretary. The accompanying Resolution of the Board of Directors dated October 16, 2003, authorizes Nadine Pitter “to attend the appropriate Professional Development Training *in accordance with all applicable professional development policies.*” (Emphasis added.) There is no evidence in the record that the School Board discussed in any detail exactly what type of “professional development training” they had approved Nadine Pitter to pursue, or what the length of the professional leave would be. Nor is there evidence in the record that the Board of Directors had ever passed any “professional development policies” as referenced in this resolution that would be applicable to School employees, including Nadine Pitter.

- **Because of their lack of trust in the impartiality of other Board members, the School Board’s Finance Committee took action to address the findings in the 2004 Audit Report without consulting with or reporting to the full Board of Directors.**

The School Board’s Finance Committee was made up of three of the eight members of the School Board -- Board Chair Berita Rowe-Lewis, Board Treasurer Wendy Clarke, and Board member Richard Simpson. The evidence shows that when the School’s independent outside auditor notified the Finance Committee about his concerns that Nadine Pitter was being paid though she was absent from work, these Board members assumed full responsibility – without notifying or consulting the full Board -- for investigating the matter, for addressing repayment of the amounts owed by Lyndon and Nadine Pitter, and for developing a Corrective Action Plan.

The testimony of Board members confirms that the Finance Committee did not consult with or report to the full Board of Directors in the course of dealing with the audit finding or in developing the corrective action to address the outside independent auditor’s finding regarding Nadine Pitter in the 2004 Audit Report. Board member Wendy Clarke testified that she thought the “Finance Committee could handle it, and that once we carried out an agreement, that Pitter would live up to it. . . .” According to her testimony, Wendy Clarke’s reluctance to discuss either the 2004 audit finding or the Corrective Action Plan was based on her lack of confidence that those members of the Board that were perceived to be “closely aligned” with Lyndon Pitter would be willing to take steps to hold him accountable for repaying the amounts he owed.

The record shows, however, that Finance Committee member Richard Simpson thought that the Finance Committee should discuss the situation with the full School Board. In an e-mail to Wendy Clarke dated December 2, 2004, Simpson wrote:

I still think that the Board members should have been made aware of the issues that we are addressing with Linden [sic], so that they could have given the[ir] input – after all their reputations are also in jeopardy. If we are to really function as a l[e]gitimate Board, then we must conduct ourselves as such. Maybe this would cause our exec Director to think twice the next time he tries to pull a fast one. This is something we need to address as we move ahead.

The evidence shows that the Finance Committee did not follow Richard Simpson's suggestion to raise this issue with the full Board of Directors for discussion and resolution. In failing to include the full Board in handling this situation regarding Lyndon Pitter, the Finance Committee exacerbated the tension and division between and among School Board members. Board member Stefanie Cervoni Leng testified that she was angered by the actions of the Finance Committee because they did not seek any input from the full Board of Directors. The evidence shows that on July 12, 2005, Cervoni Leng wrote to Raymond Inzero at the State Department of Education Office of Internal Audit challenging Board member Wendy Clarke's representation that the full Board of Directors had been developing an agreed upon Corrective Action Plan for the School:

Ms. Clarke states that the Board has been developing a Corrective Action Plan, which was discussed at previous meetings; however the Board has not met as a body since April 27, 2005. Since this date, I have not received any draft copies of this Corrective Action Plan in order for me to review, in which it appears I'll be asked to vote on this item at a meeting scheduled in two days (7/14/005). Further, I was not given a copy of the written audit report or the written findings concerning this matter. . . .

The great weight of the reliable and credible evidence confirms Cervoni Leng's statement that the full Board was not included in or informed of the development of a Corrective Action plan to respond to the findings in the 2004 Audit Report. This fractured approach is a further indication of the School Board's failure to operate as an effective oversight body. While the members of the Finance Committee may have had concerns about the other members' ability to act impartially because of their perceived loyalty to Lyndon Pitter, it was their responsibility to discuss the 2004 Audit Report and the findings therein with the full Board of Directors, to consult with the Board to achieve consensus to deal with the misuse of funds by Lyndon Pitter and Nadine Pitter, or to report to the full Board of Directors at regular meetings on the actions that had been taken to handle the situation.

- **THE BOARD OF DIRECTORS AND THE SCHOOL ADMINISTRATION FAILED TO IDENTIFY, DISCLOSE AND RESOLVE THE ACTUAL AND APPARENT CONFLICTS OF INTEREST THAT PERMEATED ALL LEVELS OF THE SCHOOL.**

When the individual personal interest of a director or officer of a charter school affects or could affect his or her ability to put the welfare of the charter school first and foremost, an actual or potential conflict of interest exists. Although the conflicts of interest among officers and directors of a charter school may not be inherently illegal, the duty of loyalty requires that a director or officer disclose potential or actual conflicts with candor and take reasonable steps and appropriate care in dealing with such situations. The evidence developed by our investigation shows that the School Board and the School Administration failed to disclose, identify or take any meaningful steps to resolve any of the myriad actual and apparent conflicts of interest relating to the hiring and contracting with relatives of the School Board, the Executive Director and other key members of the School Administration. The failure by the School Board and the School Administration to take steps to ensure the fairness and appropriateness of the hiring and contracting decisions raises serious concerns about whether the best interests and welfare of the School were at all times the paramount guiding principles.

The Board of Directors did not have any written conflict of interest policies in place during the years prior to the 2005-06 School year that were applicable either to the School Board, the Administration, or the School teachers and staff members. Furthermore, neither the meeting minutes nor resolutions of the Board of Directors reflect that the School Board, or any committee of the School Board, ever identified any apparent, potential or actual conflicts of interest among the Board members, Administration, or School teachers and staff. Nor is there any indication that any steps were taken to resolve the complications that such situations may have presented. For example, there is no evidence in the record that the Board of Directors identified or discussed how to handle the potential conflict of interest situation that existed should Nadine Pitter be hired as Associate Director of the School, under the supervision of her former husband and the School's Executive Director, Lyndon Pitter. Rather, the evidence shows that the Board took no action to ensure the reasonableness or fairness of the hiring and employment of close friends and relatives of the Board, of Lyndon Pitter, or with the other members of the School Administration.

Two of the School Board Directors had close relatives that began working at the School after their respective appointments to the Board of Directors. As set forth above, Rowe-Lewis's sister, Marcia Banton, was employed by the School as a food service worker from 2000 through 2005. Similarly, Wendy Clarke's father, Justin Clarke, and her mother, Sioney Clarke, provided janitorial and cleaning services for the School. Clarke's father also operated two vending machines at the School. There is no evidence in the record showing that Wendy Clarke or Berita Rowe-Lewis formally disclosed to the School Board that their relatives worked for the School. There is no evidence, furthermore, that Berita Rowe-Lewis or Wendy Clarke ever recused themselves from the decision making process or abstained from a vote on a budgetary issue relating to food services or maintenance at the School. We do note, however, that, as set forth above,

both Rowe-Lewis and Clarke did take substantive action to reform Lyndon Pitter's practices and to hold Pitter accountable.

The Current Board Of Directors Has Made Efforts To Improve The Governance Of The Highville Charter School, But Concerns Remain About The Board's Oversight Of Lyndon Pitter And The Operation Of The School.

Background

Our review of the record establishes that all of the members of the School's Board of Directors, except for Stefanie Cervoni Leng and Fred Anderson, resigned from the Board the day following the contentious September 2, 2005 School Board meeting. However, by letter dated September 6, 2005, Eugennie Pitter informed Mark Linabury of the State Department of Education that she wanted to retract her resignation from the School Board. Thus, as of September 2005, the Highville Charter School's "new" governing Board of Directors, which consisted of 7 total members, had three members from the previous Board of Directors who had overseen the operation of the School during the period of considerable Board dysfunction and financial mismanagement prior to September 2005, as previously detailed in this report.

On October 13, 2005, Commissioner Sternberg sent a notice of probation to the Highville Charter School. However, following a meeting between Mitchell Young, who became Chair of the School Board in September 2005, and Commissioner Sternberg regarding the probation notice, Commissioner Sternberg agreed to withdraw her notice of probation to the Highville Charter School by letter dated October 19, 2005, to Young. The conditions that Commissioner Sternberg placed on withdrawing the notice of probation included the requirements that: (1) Lyndon Pitter and Nadine Pitter be suspended pending the results of the investigations both by the outside forensic auditor, and by the Office of Internal Audit at the State Department of Education; and, (2) the Highville Charter School Board provide evidence as to how the Corrective Action Plan submitted by the previous Board of Directors on July 22, 2005, and approved by Mark Linabury on August 22, 2005, had been implemented by the new Board of Directors. The Highville School Board placed Lyndon Pitter and Nadine Pitter on paid administrative leave beginning November 14, 2005.

Credible and reliable evidence shows that Lyndon Pitter sought out new members for the School Board in August and September 2005. Mitchell Young, testified that Lyndon Pitter recruited him to be on the School Board at two separate times over a period of six years. Young, a publisher of *Business New Haven*, testified that he came to know Lyndon Pitter in 1994 or 1995 when he heard a presentation by Lyndon Pitter about efforts he had taken to help individuals start their own businesses. Young testified that he was impressed by Pitter's presentation, and that he voted to award the *Business New Haven* Minority Business Person of the Year to Pitter based on the quality of this presentation. Young further testified that at that time, Lyndon Pitter tried to recruit him to join the Board, but that Young declined the invitation to join the Board.

Young testified that during a telephone conversation with Lyndon Pitter some years later in August 2005, Pitter told Young that "there were problems with the Board. There

was going to be a meeting in the next few weeks, and that he thought that they were going to terminate him.” Young further stated that after the contentious September 2, 2005 Board meeting, which Young did not attend, Pitter called Young and informed him that several Board members had resigned. At that time, Pitter again invited Young to join the School Board. Young accepted Pitter’s offer and joined the Board as Board Chair on September 7, 2005.

The evidence shows that, in addition to Mitchell Young, three other individuals accepted Lyndon Pitter’s invitation to join the School Board – Jacqui Borges-King, Fatima Ennis, and Richard Riley.

The State Department of Education learned by letter dated January 10, 2007, from counsel for the School, that there have been significant changes to the School Board membership. Specifically, Mitchell Young, Chair of the School Board beginning in September 2005 is no longer a Board member. John Gesmonde, Esq., attorney for Lyndon Pitter and Nadine Pitter in this investigation, is now serving as the Chair of the School’s Board of Directors.

Fred Anderson, Jacqui Borges-King, Stefanie Cervoni Leng, and Richard Reilly are no longer members of the Board. Fatima Ennis remains on the Board as Vice-Chair and Eugennie Pitter also continues to be a Board member. Gesmonde, Ennis and Eugennie Pitter are joined by four other new Board members--Kim Childress, Jack Kennelly, Rohan Stewart and Wesley Daunis.

Investigative Findings and Conclusions

- **The current Board of Directors approved several policies and took certain actions relating to Board governance, conflicts of interest, financial management and academic leave.**

On October 11, 2005, the Board unanimously approved the passage of a Revised Governance Compact as part of the Corrective Action Plan required by the State Department of Education. The Revised Governance Compact creates an organizational structure where “the Executive Director is the Board’s only link to the operational organization of the School”:

The Executive Director is responsible for overseeing the responsibilities and duties of his/her Cabinet and all other School staff. The Executive Director’s Cabinet shall include, but not be limited to the following: a) Associate Director; b) Director of Curriculum & Instruction; c) Director of Operations & Special Programs; d) Business Services Manager; e) Administrative Services Manager. The Board will not give instruction to any employee of the School other than the Executive Director. Except as required by law, the Board will refrain from evaluating any Cabinet or staff member....

By its express terms, the Revised Governance Compact creates a reporting structure where the Associate Director, as well as the other members of the Executive Director's Cabinet, are to be supervised and evaluated by the Executive Director. The Revised Governance Compact provides that there will be an employment agreement executed between the Board and the Executive Director, and that the Executive Director's performance will be monitored systematically and rigorously against the terms of the employment agreement.

The evidence establishes that the actual operational structure of the School diverges from the reporting structure set forth in the Revised Governance Compact. First, the Board of Directors has not entered into an employment agreement with Lyndon Pitter or Nadine Pitter. Second, although the Revised Governance Compact states that the Board of Directors supervises only the Executive Director, Mitchell Young testified that Nadine Pitter, who has served both as the Associate Director and the School Nurse since the 2005-06 School Year, reports directly to the Board of Directors. Finally, the evidence shows that there is no employee at the School that holds the position of Business Manager as contemplated in the Revised Governance Compact. The evidence shows that Lynn Durand Cholewinski, who testified that she has been the School Finance Manager since September 2005, emphasized she is an independent contractor, and not an employee of the School. Durand Cholewinski testified that she does not have a written contract with the Highville Charter School, that she is not expected to be on School premises at designated times, and that she is paid \$100 per hour. Durand Cholewinski testified that she "runs the day-to-day" financial operations of the School, but that Mitchell Young, the School Board Chair, reviews and gives approval to all expenditures and bills for payment.

The Board of Directors also approved a written Conflicts of Interest policy applicable to Board members, teachers and staff at the Highville Charter School. The Conflicts of Interest policy prohibits any Board member or employee from receiving a monetary or material benefit as a result of their relationship with the School. Along these lines, the Conflicts of Interest policy expressly prohibits relatives of School Board members from employment or contracting with the School. However, the Conflicts of Interest policy as currently written does allow School employees, including the Executive Director, to supervise their relatives:

Employees with a relative working at HMCS including the Executive or Associate Director may supervise that relative. However, neither employee can be involved in performance review (unless requested for informational input), discipline, salary recommendation or another personnel issue with their relative. In the case of the Executive Director or the Associate Director, the Board will act as the supervisor for purposes of evaluation, discipline, or salary review or other personnel matters in

accordance with respective employment agreements between the Board and the Executive Director and Associate Director.

There is a clear inconsistency between the Revised Governance Compact and the Conflicts of Interest regarding the reporting structure and chain of command relative to the Associate Director. Specifically, the Revised Governance Compact expressly states that the Board only supervises the Executive Director, but the Conflicts of Interest policy states the School Board supervises the Associate Director for purposes of evaluation, discipline, salary review or other personnel matters. As set forth above, however, Mitchell Young testified that Nadine Pitter, who served both as the Associate Director and the School Nurse since the 2005-2006 School year, has reported to the School Board during his entire tenure as Chair of Board of Directors. The Board of Directors should reconcile the inconsistency in the reporting structure expressed in the Revised Governance Compact with the reporting structure expressed in the Conflicts of Interest Policy.

Furthermore, even though the Conflicts of Interest policy enacted by the Board of Directors is detailed and comprehensive in many respects, the section which allows relatives working at the School to “supervise” but not to “evaluate” their relatives continues to be problematic. Our review of the evidence leads us to question whether it is realistic or possible in the context of a School as small as the Highville Charter School entirely to separate the process of “evaluating” from “supervising” with respect to relatives working at the School. Certainly, a meaningful evaluation of a teacher at the Highville School at a minimum would require the evaluator to elicit comments and input from the teacher’s supervisor. Thus, to try to separate the inextricably linked processes of evaluation and supervision potentially undermines rather than serves the very purpose of a conflict of interest policy -- that is, to avoid actual or apparent favoritism on the basis of familial connection.

The evidence reviewed shows that the Highville Charter School Board instituted several other policies and procedures and took other actions to improve the governance and financial management at the School. Mitchell Young testified that there are no longer any School credit cards. Furthermore, on October 11, 2005, the Board of Directors unanimously voted to institute an indefinite moratorium on salary advances and loans for all employees and staff. He further testified that all checks of greater than \$2,500 require the signatures of two (2) authorized Board members. The meeting minutes show that three School Board members currently have signature authority on check: Mitchell Young, Board Chair; Stephanie Cervoni Leng, the School’s Corporate Secretary and Teacher Representative to the Board, and Richard Riley, the Board Treasurer. The Board also approved an Academic Leave policy.

Finally, the evidence shows that on July 26, 2006, the School submitted a Corrective Action Plan to Raymond Inzero, Chief of Internal Audit at the

Department of Education, to address the findings set forth in the independent Audit for the year ended June 30, 2005.

As set forth the above, the Highville Charter School's Board of Directors has taken important steps since September 2005 to improve the organization and financial controls at the School. To deal with the turmoil and crisis period at the School prior to September 2005, the new School Board assumed a very active role in managing the School's resources. Mitchell Young testified that as School Board Chair, he was involved with the daily management of the School's financial resource and that he approved all School invoices and disbursements. Lynn Durand Cholewinski, the School's current business manager, testified that she is not an employee of the School, but rather, an independent contractor with no written contract. Durand Cholewinski testified that she has no responsibility for approving expenditures at the School. Thus, neither Durand Cholewinski nor any other employee at the Highville Charter School appears to be assigned direct responsibility for financial operations of the School. Instead, Mitchell Young, who was Chair of the Board of Directors during the 2005-06 School year, reviewed and approved all expenditures at the School.

In light of the turmoil at the School and considering that the School's Executive Director was placed on administrative leave in October 2005, we recognize the need at that critical time for the new School Board to take an immediate, direct and active role in the management of the School. While this School Board is to be credited for assuming such a direct and active role at that critical time, it is equally important for the School Board to be cognizant of the potential for it to improperly blur the boundaries between the governance and the management of the School, were it to formalize this organizational structure for the long term. "Governance deals with major policy making decisions or setting the overall directions of the School. Management deals with the allocation and deployment of the School's resources on a daily basis to achieve the School's goals." *NYC Charter Schools Governance and Board Development Guidebook* (May 2006). To operate as an effective oversight body, the School Board ultimately must establish an organizational structure that will ensure School Board objectivity in monitoring the operation of the School and the management of the School's resources by the School's Administration, as well as ensure objectivity in monitoring the implementation of the School Board's policies and strategic plans by the School's Administration. Going forward, the Board must be careful not to undermine its objective ability and duty to oversee and monitor the implementation of Board policies and the management of the School's operations by the School's Executive Director and other members of the School Administration.

- **Relatives of School Administrators continued to work at the Highville Charter School during the 2005-06 School year, even though they do not have certification, and even though other non-certified employees were terminated.**

The evidence shows that, in addition to Nadine Pitter, the spouses of two top School Administrators continued to work at the School during the 2005-06 School year. As set forth above, Lyndon Pitter hired Janet DiPalma, the wife of the Director of Curriculum and current Interim Executive Director, and Cecelia Thomson, the wife of the School's former Chief of Staff, in August 2005, for teaching positions at the School that required certification, even though neither had the certification required for the positions stated in their respective contracts with the School. The evidence shows that both Thomson and DiPalma worked at the School during the 2005-2006 School year. While DiPalma continues to work at the School, Cecelia Thomson and her husband, the former Chief of Staff Allen Jones, are no longer employed by the School.

The evidence shows Thomson and DiPalma received salaries that corresponded with their employment contracts for the positions requiring certification. Mitchell Young testified that Cecilia Thomson acted as Lyndon Pitter's personal assistant, even though the evidence confirms that Thomson was being paid a salary set forth in her contract with the School to be a musical theater teacher. Young testified that DiPalma ran "Operation Sage" at the School; however, our review of the evidence shows that she was paid the amount that was delineated in her contract to be the School's Intervention Specialist, a position requiring certification. These actions by the School Board allowing relatives of key members of the School Administration to remain employed without certification, are troubling, particularly considering that the School terminated two other uncertified teachers at the School who were not related to top School Administrators.

- **The unwillingness of the new Board of Directors to hold Lyndon Pitter or Nadine Pitter accountable for their misuse of School funds and other wrongdoing raises serious concerns about the School Board's objective judgment with respect to Lyndon Pitter or Nadine Pitter.**

The evidence shows that the Board of Directors in place since September 2005, consistently has been reluctant to scrutinize Lyndon Pitter's and Nadine Pitter's financial improprieties in a critical manner. This clear hesitation by the current School Board to take steps to hold Lyndon Pitter and Nadine Pitter accountable for their misuse of School funds and wrongdoing raises concerns about their collective ability to oversee Lyndon Pitter and Nadine Pitter in their employment at the School.

Mitchell Young testified that, even though the Board of Directors ultimately complied with Commissioner Sternberg's demand that Lyndon Pitter and Nadine Pitter be placed on administrative leave in October 2005, the Board did so reluctantly. Young testified that he "was comfortable with Mr. Pitter being [at the School] based on interactions [he] had with Pitter, and based on the interactions [he] had with other employees of the School...[he] did not see a reason for him to have to go on administrative leave."

The evidence shows, furthermore, that the Board took steps to reinstate Nadine Pitter and Lyndon Pitter in their positions at the School against the directive of Commissioner Sternberg. The School's attorney, Donald Houston, notified Karen Flanagan, Esq., of the

Office of Legal and Governmental Affairs State Department of Education by letter dated February 7, 2006, that the Highville School Board intended to terminate the administrative leave of Lyndon Pitter and Nadine Pitter and to return them to their respective positions. In a letter dated February 8, 2006, to Attorney Houston, Commissioner Sternberg expressed clear disapproval with this intended course of action, and she reminded the School of her directive to keep both of the Pitters on administrative leave until all investigations were completed:

I would refer you to my letter dated October 19, 2005, in which I agreed to withdraw the notice of probation for Highville. It clearly states that the Pitters must be suspended pending the results of the investigations described in that letter. While the forensic audit may be near completion, I cannot agree to have the Pitters return to their positions until, at the very least, we have received and reviewed the results of the audit.

Ignoring this strong recommendation by Commissioner Sternberg not to return the Pitters to their positions at the School until *all* investigations were completed, Board Chair Mitchell Young wrote to Commissioner on February 17, 2006, stating that the School Board “believes the issue of terminating or extending the administrative leave of Lyndon and Nadine Pitter is an internal matter, under the exclusive authority of the Board. We are also clear that as a governing Board, we may find ourselves in disagreement with the position of the SDE, at the end of this process.”

On March 6, 2006, the Highville Charter School Board, against the recommendation of Commissioner Sternberg, resolved that it was in the “best interests” of the School to terminate the administrative leave of Lyndon Pitter and Nadine Pitter. By a unanimous vote, the Board returned Lyndon Pitter and Nadine Pitter to their respective positions as Executive Director and as Associate Director and School Nurse. The minutes of the March 6, 2006 Board meeting and the relevant Board resolutions state that the School Board members voted to do so after the Board “thoroughly reviewed, considered and discussed the March 1, 2006 forensic audit report prepared by Konowitz and Kahn.”

The findings in the forensic audit were consistent with the allegations of the whistleblower complaint regarding misuse of State funds by Lyndon Pitter and Nadine Pitter. In particular, the forensic audit found, among other things, that: (1) Lyndon Pitter actually stipulated that \$24,912 of charges on the School credit cards were personal purchases; (2) \$1,521 of international phone call charges by Lyndon Pitter using the School’s phone were determined to be non-School related; (3) Nadine Pitter had attended college courses at Naugatuck Valley Community College while receiving a full time salary as Associate Director of the School; and, (4) Lyndon Pitter and Nadine Pitter had received loan advances totaling \$57,539, which had not been repaid to the School in full. The actions of the Board of Directors in reinstating the Pitters despite the seriousness of

these findings raise very serious questions about the Board's ability to assess the facts and circumstances relating to Lyndon Pitter and Nadine Pitter in an objective manner.

Finally, the evidence shows that the Highville School Board resisted the request of Attorney General Blumenthal and former Commissioner Sternberg to remove Lyndon Pitter from his duties at the Highville Charter School in April 2006, after Lyndon Pitter provided false documents and diplomas misrepresenting his educational qualifications under subpoena, and then misrepresented his educational credentials during his testimony under oath. Pitter provided copies of both his resume and the falsified diplomas to Board Chair Mitchell Young under cover of letter dated January 31, 2006, from Lyndon Pitter's attorney, John Gesmonde, Esq., as evidence for the Limited Scope Forensic Examination.

The evidence shows that the School Board did not act immediately to remove Pitter from his duties at the School, even though Commissioner Sternberg and Attorney General Blumenthal, in a letter dated April 13, 2006, demanded that the Board do so. Young testified that, instead, he spoke with parents, people in the community and clergy members, about the appropriate manner to handle this situation. He further testified that when the Board of Directors considered what should be done to address the demands and concerns of the Attorney General and Commissioner Sternberg, "[n]o one adopted the position that we should remove Pitter, for example, from the School or we should terminate him." Instead, the Board voted to move Lyndon Pitter from the position of the School's Executive Director to the position of the School's Director of Strategic Planning and Resource Development. Though Young characterized the Board's action as a "demotion" of Lyndon Pitter, he admitted that the School Board did not reduce Lyndon Pitter's annual salary.

Mitchell Young stated that he viewed Pitter's misrepresentation of his education credentials under oath and his submitting falsified resumes and diplomas as an "unnecessary fabrication". He stated that he believed that the Highville School Board "took an action relevant to it, and that seemed appropriate for it."

Considering the Board's knowledge about Lyndon Pitter's past financial mismanagement and his falsified credentials, Mitchell Young's comments raise questions about the ability of the Board of Directors to exercise objective, independent and proper supervision over Lyndon Pitter and Nadine Pitter their respective employment at the Highville Charter School. Furthermore, the fact that the attorney for both Lyndon Pitter and Nadine Pitter in this investigation is now Chair of the School's Board of Directors, increases our serious concerns about the objectivity of the School's Board of Directors with respect to Lyndon Pitter or Nadine Pitter.

RECOMMENDATIONS

The recommendations which follow are based upon the findings contained in this report. In addition, we have made recommendations to enhance monitoring protocols over charter schools that should be useful in minimizing the potential for financial improprieties to occur and not be detected in a timely manner.

Recovery of State Grant Funds

The investigation identified financial improprieties and misuse of State funds by individuals associated with the School. As such, we recommend that:

1. Our report identified \$83,069.97 as owed by Lyndon Pitter to the School. The SDE has already recouped \$22,279 of this amount from the School, and it should recover the remaining \$60,791 -- the difference between \$83,069.97 and the amount that the SDE already has recouped from the School -- since these are taxpayer dollars that have been misused. The School should obtain the \$83,069.97 owed by Lyndon Pitter to the School.
2. State grant funds should not be used to pay any portion of the reimbursement claim submitted by Lyndon Pitter to the School in the amount of \$112,140.58. The SDE should seek recovery from the School if any State grant funds are used to pay such claims.

Remove or Reassign Members of the School Administration

The investigation identified significant management abuses by Lyndon Pitter as the School's Executive Director that resulted in the numerous financial and management improprieties identified in this report. Issues associated with Nadine Pitter, his former spouse, in her role as Associate Director are also detailed in this report. Consequently, we recommend that:

3. Lyndon Pitter should no longer be employed by the School, and the SDE should refuse to provide any funds for Pitter's compensation.
4. Nadine Pitter should be removed from the position of Associate Director of the School and she should not serve in any Administrative position. However, if she is to remain in the position of School nurse, her salary should be based upon comparable salaries in the industry, a written employment contract should be executed, timesheets prepared, and the position should be approved by the School Board, and she should be evaluated regularly. Except within this narrow context, we recommend that no further State funds for compensation of Nadine Pitter be allowed by the SDE in association with the School.

Improve Controls Over The School's Financial Administration

The investigation disclosed issues associated with a lack of proper controls over the financial administration of the School. Nepotism was also found to be a factor in the circumvention of controls. As such, we recommend that:

5. The SDE should require that the School hire, through a publicly advertised hiring process, a permanent Finance Manager, or similar position, rather than a contract employee. The SDE should confirm that proper reporting protocols are established between the School Board and this position.
6. The SDE should confirm that the School establishes an appropriate contracting process for procuring and obtaining goods and services for the School. This process should include public, competitive bids.
7. The SDE should confirm that the corrective action plan provided to the SDE by the Board was implemented and fully addresses the issues contained in the School's 2005 independent audit.
8. The School Board should require that any community or private use of the School's facility follow a properly approved and adopted policy. Proper insurance or licenses should be evident and State funds should not be used to subsidize private enterprises.
9. The School Board should implement policies that prohibit the use of School telephones, equipment, supplies and facilities for personal purposes.
10. The School Board should review the School's travel policy to ensure that School related field trips and conferences are reasonable and necessary. All such travel reimbursed by the School should be documented and timely. The School should not pay the travel expenses of the children of the School's Administrators, teachers or staff, except to the extent that they are School students and the same opportunity is afforded to other School students.

Compliance with State Laws and Regulations

The investigation disclosed practices that were not in compliance with State laws and regulations. In particular, we recommend:

11. The SDE should reconfirm whether State certification is required for the current position occupied by the spouse of the Director of Curriculum and Instruction at the School. State funds should not continue to support this individual's salary if it is confirmed that her position requires State certification, and she has not obtained such certification.

School Board and Governance Improvements

The investigation identified various School Board and governance failures that provided the opportunity for management irregularities to occur at the School and not be addressed in a timely manner. Although the current School Board has issued new Board policies and procedures addressing issues such as conflicts of interest and salary advances, we recommend the following:

12. The School Board should establish a committee charged with recruiting and recommending new members for appointment to openings on the School Board. Policies and procedures should be developed to define the role and process of this committee.
13. The School Board should ensure that Board members adhere to term limits and that the full Board votes on reappointments.
14. The School Board should consider establishing an audit committee charged with ensuring that independent audit findings are addressed and audits are conducted as required by the State. Results of the audits should be provided in a timely manner to the full Board and corrective action plans approved by the full Board.
15. The School Board should establish proper reporting relationships between the School Administration and the School Board that include regular performance evaluations, as well as approval of employment contracts and compensation.
16. The School Board should work with the SDE Charter School Program Office to ensure that new Board members are trained so that they understand their legal and fiduciary roles and responsibilities as Board members.
17. The School Board should define and establish the policy and procedures for advance review and approval by the Board of contracts and expenditures above a certain dollar amount.
18. The School Board should define their roles and responsibilities for the review and approval of hires, dismissals and for setting compensation of the School's employees.

Other Oversight Improvements

In addition to the previous recommendations, we identified certain areas of oversight that should be strengthened or considered for improvement. In this regard, we recommend:

19. The SDE should consider working with the State legislature to modify State statutes associated with the charter school program as follows:

- a. The SDE should consider the feasibility of legislation that would establish a process for appointing a receiver for a charter school that has serious financial or operational problems that would warrant intervention to protect the students or financial resources of the charter school.
 - b. The SDE should consider the feasibility of legislation requiring charter schools receiving State grant awards for construction or renovation work to use an open and competitive bidding process for such charter school construction or renovation work. Such legislation would be similar to the requirements set forth in Connecticut General Statutes § 10-287 (c), which requires all contracts for public school building construction projects receiving State financial assistance under Chapter 173 of the Connecticut General Statutes to award contracts or orders costing ten thousand dollars or more “to the lowest responsible qualified bidder only after a public invitation to bid.”
20. The SDE should review and modify the charter school expenditure report Form ED001C to include a requirement that all related parties be disclosed, as well as compensation of specified management. Further, the SDE should require that the non-profit organization operating the charter school submit a copy of its federal tax return Form 990. This information should be reviewed for reasonableness.
 21. The SDE should consider the need for additional staffing for the Charter School Program Office. At present, one program manager has responsibility for monitoring all the charter schools in Connecticut. This staffing consideration is especially important as more charter schools are approved throughout the State of Connecticut.
 22. The SDE Charter School Program Office should establish a training program for charter school governing council members and for charter school administrators to ensure that the governing council members and charter school administrators fully understand their legal and fiduciary roles and responsibilities.

CONCLUSION

After years of financial irregularities and mismanagement by its Executive Director, and lax oversight by its Board of Directors, the School and the Department of Education must work together to adopt sound management, accounting and personnel policies and procedures. Such policies and procedures must ensure that State taxpayer dollars are spent solely for the benefit of the School and its students, and that the administration of the School is transparent and accountable to the State and the School community.

APPENDIX

ATTACHMENT	1	Forensic Audit Report – March 2, 2006 Konowitz, Kahn & Company, PC
ATTACHMENT	2	Lyndon Pitter’s False Resumé & Educational Credentials
ATTACHMENT	3	American Express & Advanta Credit Card Charges June 1999 – November 1999
ATTACHMENT	4	CFO (Dezroy Stewart) Loans to Executive Director (Lyndon Pitter) for Calendar Year 2004 and 2005
ATTACHMENT	5	Schedule of Balance Due from Pitter
ATTACHMENT	6	Reimbursement Claim Summary – Lyndon Pitter
ATTACHMENT	7	Unpaid Salary Claim – Nadine Pitter