

# Sunday Star-Ledger

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A STAR-LEDGER SPECIAL REPORT

## PRIVATE SCHOOLS HIDDEN RICHES

Nepotism, big salaries, cushy pensions, sketchy deals, luxury cars. That's business as usual at some that serve N.J.'s disabled children.

By Christopher Baxter / STAR-LEDGER STAFF

**T**he payroll at Somerset Hills School reads like a family tree, with 10 relatives sprinkled throughout. Four of them earn six-figure salaries.

The cafeteria serves up a nice profit, paying hundreds of thousands of dollars for food to a company founded and owned by the school's executive director.

Even the land and buildings are worth big bucks. The school paid nearly half a million dollars for rent in 2012, mostly to a company owned by its former executive director.

Tucked away amid lush green meadows in Warren Township, Somerset Hills is one of about 180 private schools across the state where more than 10,000 severely disabled children go for an education when their public schools can't handle them.

Though Somerset Hills is privately owned and run, it's like a public school in one simple way: You pay for all of it.

A two-month Star-Ledger investigation found Somerset Hills and schools like it operate in a twilight zone of the state education system, under a unique set of rules that allows them to spend taxpayer money in ways few would tolerate of public schools.

In an era when public schools are under intense pressure to do more with less, the newspaper's review showed nepotism, high executive salaries, generous pensions, fancy cars and questionable business deals are common in parts of this more than \$600 million New Jersey industry.

Prompted by a state auditor's report earlier this year raising concerns about these schools, The Star-Ledger reviewed more than 8,000 pages of annual financial audits and other documents obtained from the state Department of Education under the Open Public Records Act.



ROBERT SCIARRINO/THE STAR-LEDGER

Somerset Hills School in Warren Township employed 10 relatives and had one of the highest administrative salary costs per student among private special-needs schools.

The records, covering the fiscal year ending June 30, 2012, for about 170 schools, reveal a laundry list of some of the most despised practices in government and paint a picture of what privatization can cost when state oversight fails to guard the public's wallet.

Among the findings:

- While Gov. Chris Christie rails about the pay of public

school superintendents, top employees at these schools live in another world, spared from his rancor. Nineteen directors were paid the maximum allowed salary - \$225,734 - to oversee schools with anywhere from 30 to 327 students a day. And 52 people at these schools took home more than \$175,000, the most superintendents are allowed to earn in public schools with up to 10,000 students.

- About a third of the schools did business with companies owned or controlled by the same people who run the schools, or their relatives or associates, oftentimes at a higher cost than other schools pay. The deals ran the gamut from real estate to bus rentals to food.

- Nearly one-fifth of schools had instances of nepotism. One school had four related directors, three of whom earned the maximum \$225,734. Another employed a part-time classroom aide related to the director who earned \$94,000 in 2013, three times other aides' salaries.

- Three dozen schools offered generous pension plans paid for by the public but requiring no contributions by employees, in stark contrast to public school teachers and administrators' plans. At one school, a former official collected retiree health benefits after she served time for ripping off taxpayers.

- Twenty-two cars - including two BMWs, a Land Rover, three Lexus and two Mercedes - were charged in part to taxpayers despite being used for personal transportation by officials. School disclosure reports show many cars were kept at officials' homes.

"We don't want to see one penny spent that doesn't need to be, let alone in ways that seem wholly inappropriate," said Ruth Lowenkron, a senior attorney with the Education Law Center, which advocates for fair school funding. "We're very concerned about how these schools contain costs."

Gerard Thiers, the executive director of ASAH, an association representing the schools, said they provide a vital service for parents of disabled children, from preschoolers to high schoolers, with severe autism, speech impediments, blindness, deafness and developmental problems.

"Many of these schools are very successful and they are very cost-effective," Thiers said. "They have great reputations."

The state guarantees an education to every child, but sometimes students' disabilities are so complex that public schools must send them to other schools, such as these private ones, which offer specialized services.

Average tuition at the schools rose 12 percent from 2008 to 2012, to \$57,601 per student, state numbers show, and one school topped \$100,000 in the 2011-12 school year. The tuition is charged to public schools, and, in turn, to New Jersey's property-tax payers.

But unlike public schools, there are no elected officials to hold accountable, no school board meetings to attend or budgets to examine. As a result, the investigation found, questionable spending has continued for more than a de-

cade - all hidden in plain sight.

Thiers disagreed with the investigation's findings and said the schools are already hamstrung by too many needless restrictions on spending.

"All of these regulations have been applied to the schools over the years, and it buries us in all this compliance stuff that reduces the flexibility we have to develop programs to serve the kids," Thiers said, adding that the state's oversight was "too heavy" and often unfair.

The complaints have resonated with Christie, a strong supporter of privatization and greater school choice. In an interview with The Star-Ledger, Thiers revealed that the state Education Department is considering a proposal largely put forward by the schools that would lift many existing spending rules but would also cap tuition at a set amount.

The governor's office referred questions to the department, whose spokesman, Michael Yaple, confirmed the proposal was under review by Commissioner Christopher Cerf. Yaple said the changes would reduce costs and be the first "substantial" update to regulations for the private schools in about a quarter-century.

But Yaple said that because the schools are private entities, current law and various court decisions limit the state's oversight authority and "unfortunately, those are impediments that have extended different treatment to these schools."

## MAXING OUT

*Nineteen directors and executive directors at 18 of the state's private special-needs schools — with average daily enrollments ranging from 30 to 327 — earned the maximum allowable salary of \$225,734 for the 2011-12 school year. Another three earned just \$34 less than the top amount.*

### **ALPHA SCHOOL, GATEWAY SCHOOL & HARBOR SCHOOL**

Kennedy, Loretta A.  
Stack, V. Jean  
Reinhard, Ruth H.

### **CHAPEL HILL ACADEMY**

Celli, Thomas  
Somers, Diane

### **CHILDREN'S CENTER OF MONMOUTH COUNTY**

Scheer, George

### **CHILDREN'S INSTITUTE**

Ettinger, Bruce

### **DERON SCHOOL\***

Alter, Eric  
Alter, Kenneth  
Alter, Lori

### **GLENVIEW ACADEMY, GRAMON SCHOOL & NEW BEGINNINGS\***

Weeks, David F.  
Weeks, Kathleen G.

### **HAWKSWOOD SCHOOL**

Renda, Vincent  
Corallo, Peter

### **LEARNING CENTER FOR EXCEPTIONAL CHILDREN\***

Buonauro, Linda

### **NORTH HUDSON ACADEMY**

McCarthy, Dennis

### **SOMERSET HILLS SCHOOL**

Kimmins, Ryan  
Alexander, Stacey

### **WESTBRIDGE ACADEMY**

Litovsky, Viviana

### **Y.A.L.E. SCHOOL\***

Vonderschmidt, Edward\*\*  
Davidson, Ann\*\*  
Sarandoulis, Chris\*\*

\* Schools have multiple locations

\*\* Earned \$225,700

Source: School disclosure reports filed with N.J. Department of Education

He said addressing many of the issues raised by the investigation would require action by the state Legislature. Many education experts said private special-needs schools enjoy extra protection from censure because lawmakers are reluctant to tackle an issue sure to raise backlash from parents who want what's best for their children at any cost.

## LAX OVERSIGHT

The state administrative code specifies in some detail how private special-needs schools can and cannot spend, but the rules are more relaxed than those for traditional public schools or, in some cases, even charter schools, The Star-Ledger's investigation found.

"They're either profit or nonprofit, so they're accountable to directors or shareholders, but not the public," said Mary Ciccone, managing attorney for Disability Rights New Jersey. "So they charge their tuition and public schools are basically stuck paying for it regardless."

The spending practices by these schools are not unique. There are approximately 2,600 private special-needs schools across the country, Thiers said, each with varying degrees of government oversight. Some 300 in New York have come under intense scrutiny of late.

In a report released in December, New York Comptroller Thomas DiNapoli said taxpayers there were suffering because of poor state oversight and wasteful spending - including inflated costs related to nepotism, insider dealings and criminal conduct.

"Children with disabilities and taxpayers are being ripped off and it has to stop," DiNapoli said in the report.

Officials in New Jersey rely on schools to tell the truth about expenses on annual disclosure forms, though not all submit them as required. Schools must also provide annual audits by their accounting firms, which disallowed nearly \$3.9 million - or less than 1 percent of spending - in 2012.

But when state officials visit the schools to review their books, which is required once every six years, they find numerous examples of improper spending missed by the auditors, such as salaries higher than those allowed by state rules, overnight hotel stays, yearbook costs and landscaping.

A report released by the state auditor this year also found that as of March, 46 of the 140 private special-needs schools open since 2006 had not been visited by the state for an on-site fiscal review during the past six years.

When the reviews find excessive spending and the state demands public schools be refunded, the private schools often file lengthy appeals and pass those costs back to taxpayers. The schools spent about \$554,000 on litigation in 2012, records show.

Yaple, the spokesman for the Education Department, estimated that more than half of all audits by the department identify at least one item of noncompliance - some minor and some serious - and the department defends its actions in appeals and in the courts.

He added the department was expanding the number of people assigned to reviewing the schools' books.

Thiers said the association's own analysis in 2011 found that the private special-needs schools offered the best price for taxpayers when compared with the cost of special-needs programs in local public school districts -

## PROFITING OFF SPECIAL EDUCATION

*A patchwork of weak rules and spotty government oversight allows some 180 private schools for students with special needs across the state to spend in ways few would tolerate of public schools, even though costs are billed to taxpayers just the same. Here's how those tied to one for-profit institution, the Somerset Hills School in Warren Township, cashed in in 2012:*

### ON THE PAYROLL

Three directors and a principal were related, and two of them earned the maximum allowable salary of \$225,734. The four helped oversee an average daily enrollment of 97 students. Private special-needs schools are not required by the state to adopt a nepotism policy, and Somerset Hills had a total of 10 relatives on its payroll.

### BUILDINGS & GROUNDS

The school paid \$431,075 in rent, mostly to Home School Realty. That company was purchased by the school's former longtime executive director, Jerome Amedeo, in 2007, the same year he retired. State regulations do not prevent the leaders of these private schools from engaging in insider business deals with companies owned by themselves, family or associates.

### IN THE CAFETERIA

The school paid a company \$380,407 for food services,

nearly \$4,000 per student. The per-student cost for food was \$1,000 more than the next-highest school and nearly five times higher than schools with similar enrollments. The company, West Hills Food Purveyors, was founded in 2006 and owned by Ryan Kimmins, the school's executive director.

### TREATMENT CENTER

The directors of the school were also officers of a related company, the Somerset Hills Residential Treatment Center. The Christie administration last year signed a two-year deal with the center worth a maximum \$14.3 million. The amount of money the officers earned — paid by the center — was not listed, but the company paid \$819,454 to shareholders in 2010 and 2011. The center also paid a pension to Amedeo and rent to his company.

### EXTENDED SCHOOL YEAR

Amedeo also runs a private summer camp on the grounds of the school and treatment center. To make room for the camp, the school sends its students to another camp in Bergen County for six weeks. That retreat was approved by the state as an extended school year program, allowing Somerset Hills to charge taxpayers an additional \$12,426 per student who attended.

*SOURCE: Disclosure reports and annual audits; Department of Education; Department of Children and Families; campaign finance records.*

cheaper as well than programs set up at the county level.

He added that the schools do not have access to public money to construct buildings, and he estimated they fundraise \$25 million every year - through events and from board members, parents, foundations and corporations - to invest back into their students.

At a few schools, a small number of students privately enroll and pay their tuition as well, which supports costs, he said.

## **BIG SALARIES**

During his first year in office, Christie waged an intense battle against highly paid public school superintendents to promote his proposed salary cap, which, combined with a 2 percent cap on property tax hikes, was intended to bring relief to homeowners.

The battle reached its peak during a town hall in Parsippany in 2010, where he lambasted then-Parsippany-Troy Hills Superintendent Leroy Seitz for a raise that would boost his salary above \$216,000, far more than the governor's paycheck of \$175,000.

Christie called Seitz "the new poster boy for all that's wrong with the public school system" and said that if he "wants to try to put his greed and his arrogance ahead of the taxpayers of New Jersey, you elected me to stand up to people like Lee Seitz and others across the state, and I will."

But Christie never has criticized the leaders of the state's private special-needs schools, who are also paid by taxpayers.

Under the public school salary cap, which took effect in 2011, a superintendent overseeing 6,501 to 9,999 students can make a maximum of \$175,000. Records for fiscal year 2012 show 52 employees at the private schools, some with average daily enrollments as low as 27, earned more.

Of those, 19 directors made the top salary of \$225,734 - which is set by the state and was recently increased to \$233,556 - and another three made \$34 less than that amount. It's unclear how many now make the \$233,556 maximum amount.

Asked about the differences, Yaple, of the Education Department, said limiting public school superintendent salaries "yielded the greatest immediate savings of tax dollars."

Unlike most superintendents, who must have a master's degree and state certification, directors of these private schools need nothing more than a bachelor's degree. Of the 19 who earned the top salary, disclosure reports show three had only bachelor's degrees and no education certifications.

State rules also do not put any limits on the number of directors a school can employ and say only that administrative expenses cannot exceed 25 percent of total spending, though some do and then auditors or the state must find and toss out the costs.

Thiers said private school leaders should have fewer educational and professional requirements so as not to limit who - from parents to entrepreneurs - can open a school.

"Superintendents are paid according to the number of kids they serve, but in a special education system that's unfair because there's many more staff serving less kids, because you have to provide very intense services," he said.

## **A FAMILY AFFAIR**

State rules require traditional public schools and charter schools that receive school aid to have a nepotism policy. But that mandate does not apply to private special-needs schools.

A review of school payroll records found 30 institutions, or about 18 percent, with relatives among the staff. The findings were similar to the review earlier this year by the state auditor, which found 27 instances of nepotism among just administrative staffs.

The auditor noted nepotism as one of a number of items that, while allowed under state rules, could be better regulated to control costs. The report said that on average, schools with nepotism had general administrative salaries 44 percent higher than other schools in fiscal year 2012.

At the for-profit Somerset Hills School, three directors and a principal were related, and two of them earned the maximum \$225,734, a disclosure report shows. The four helped oversee an average daily enrollment of 97 students in 2012, according to the school's audit.

But their connections to one another are hard to detect on the disclosure form because some used maiden names.

The school reported that a principal, Maria Torres, made \$142,812 in 2012, and that a director, Christopher Kimmins, made \$131,678. But the two were married, and property records and voter registration records list the wife's name as Maria Kimmins.

The school also employed Christopher Kimmins' son, Ryan, and his wife, Stacey, who both earned the maximum salary. But on state disclosure forms, the wife was listed as Stacey Alexander, despite public records that show her using the name Stacey Kimmins.

Overall, the school listed 10 relatives on its payroll of about 106 and had one of the highest administrative salary costs per student among private special-needs schools at \$6,514.

Ryan Kimmins said the two women worked for the school before they each married, and it would have been wrong to ask them to find another job once they were married, or to question why they continued to use their maiden names.

"Family members also mortgaged homes, borrowed from retirement savings and delayed paychecks to keep the organization solvent," he said.

Kimmins added that his father retired earlier this year.

The for-profit Deron School, with locations in Union and Montclair, had four related directors - Eric Alter, Kenneth

Alter, Lori Alter and Ronald Alter - who earned a combined salary of \$838,253, or an average of \$209,563, to oversee an average daily enrollment of 220 students.

Kenneth Alter said that while base salaries for the directors are higher than those for comparable public school superintendents, the directors there are not entitled to lifetime pension plans that promise a guaranteed percentage of their salary or to lifetime health benefits.

The school in 2012 did offer a profit-sharing plan for employees that guarantees a pension based on the amount of money contributed by the company over the course of their employment. The school charged \$362,974 to taxpayers as a contribution to the plan that year.

At the for-profit Y.A.L.E. School in Cherry Hill, Pelageia Sarandoulis, a relative of director Chris Sarandoulis, earned \$75,200 to work part time as a classroom aide despite not having any educational certifications or a college degree, disclosure reports show.

In 2013, she earned \$94,000 for the same part-time job, those records show, more than three times any other classroom aide at the school. Pelageia Sarandoulis did not return calls for comment, and Chris Sarandoulis did not respond to questions about the salary.

## **BUSINESS WITH BOSSES**

Despite the schools' contentions that competition on the free market - and not state oversight - would result in the lowest costs for taxpayers, records show 56 had dealings with companies related to their leadership, families of their leadership or other associates in 2012.

For schools that reported rent costs in excess of \$10,000, those with these kinds of deals paid about 9 percent more than others, the investigation found. Audits show about half of all for-profit private special-needs schools had deals connected to leadership, families or other associates. By contrast, such deals were found at about a quarter of non-profit schools.

In some cases, such as the for-profit Green Brook Academy in Bound Brook, the same person signed the lease for the school and the company that owns the land and buildings. School disclosure reports show a five-year deal worth \$156,000 annually was signed by one of the school's owners, Edward Dougherty, on behalf of both the school and his company, E&C Ventures.

State rules limit Dougherty's profit off the deal to 2.5 percent of the cost of owning the land and buildings. But that cost can include a host of expenses, including mortgage interest payments, taxes, insurance payments, maintenance, legal fees, garbage and repairs.

The Deron School reported nearly \$1.4 million in rent costs for its two schools, and all of it was paid to three companies owned by the Alter family, the same people who ran the school, disclosure reports show. Kenneth Alter said the deals were fully compliant with state rules.

"We began in 1967 when my parents, Ronald and Diane Alter, opened with one student," Alter said. "Combined we

have more than 123 years' experience working in education."

The Y.A.L.E. School, with locations throughout Central and South Jersey, reported nearly \$800,000 worth of business with seven companies owned by the same people who own the school. One of the school's owners, Ann Davidson, sits on the Medford Township Board of Education, which rents space to Y.A.L.E. School. The public school district also placed 10 students at Y.A.L.E. School in 2012, records show, at a cost of \$416,606 to taxpayers.

Davidson did not return requests for comment, but school director Chris Sarandoulis said she recuses herself from any discussions or votes by the board of education related to the private school.

Three of four schools that paid the most per student for transportation rent buses from companies controlled by the same people who run the school, records show. The fourth school said on disclosure forms it took students between home and school, but state rules prohibit that cost.

Other schools reported deals for equipment, management, personnel, consulting, legal and investment advice, and food, records show.

The Somerset Hills School paid a company \$380,407 in 2012 for food services, nearly \$4,000 per student, records show. The per-student cost for food was \$1,000 more than what the next-highest school paid and nearly five times higher than that of schools with similar enrollments.

Business records show the company, West Hills Food Purveyors, was founded in 2006 and owned by Ryan Kimmins, the school's executive director.

Kimmins said students were fed breakfast and lunch every day and any comparison of the cost with other schools does not account for the needs of students or the amount of food served. He said concerns about the arrangement were moot because West Hills was dissolved earlier this year, but he did not say who now provides the food.

Somerset Hills also spent \$431,075 in rent costs for land and buildings in 2012, most of which was paid to Home School Realty. Business records show that company was purchased by the school's former longtime executive director, Jerome Amedeo, in 2007, the same year he retired.

Kimmins said Amedeo no longer had control over the school, "so we do not know of any concerns about a conflict of interest."

Amedeo owes \$181,739 in unpaid federal taxes from 2008, 2009 and 2010, according to a lien filed with the Somerset County clerk. Amedeo said he was penalized by the Internal Revenue Service for using his entire 401(k) retirement account to purchase the school property. He said he was on a payment plan with the IRS and expected the lien to be resolved by the middle of next year.

Amedeo and his wife, Carol, are major Republican donors, having given about \$170,000 to state GOP coffers, dating to 1993, campaign records show. That includes \$17,400 to Christie, including \$3,800 from him in February.

He served on Christie's transition team in 2009, and in

May 2011, was nominated by the governor to the board of commissioners for the North Jersey District Water Supply Commission, where he earns \$1,200.

Amedeo also serves on the board of trustees at Monmouth University, his alma mater, and was nominated by former Gov. Jon Corzine to the Department of Education's School Ethics Commission, which enforces school ethics rules. Neither position is paid.

Aside from Somerset Hills School, Amedeo earns money through rent paid to his company by the Somerset Hills Residential Treatment Center, which, according to its website, is affiliated with the school and serves boys ages 11 to 15 with severe emotional and behavioral disabilities.

The state Department of Children and Families contracts with the treatment center to provide housing and services for children in need. The Christie administration last year signed a two-year deal with the center worth a maximum \$14.3 million, department records show.

The officers of the center were the same three directors of the school, records show, but how much money they earned - paid by the center - was not listed. The most recent audit submitted to the state showed the center paid a total of \$819,454 to shareholders in 2010 and 2011.

In his most recent financial disclosure, Amedeo reported that he receives a pension from the center, though the amount was not listed.

Amedeo also earns income overseeing Camp Harmony, a family-run, 87-year-old private summer retreat held on the grounds of the school and the treatment center. To make room for the camp, Somerset Hills School sends its students to another camp in Bergen County for six weeks.

That camp - which offers outdoor activities as well as classroom instruction - was certified by the state as an extended school year program, allowing the school to charge public school districts, and, in turn, taxpayers, an additional \$12,426 per student for those who attended in 2012.

Amedeo said the extended school year was created because students required extra instructional time. Ryan Kimmins reiterated that the arrangement has existed for many years, follows all rules and regulations and has the blessing of state officials.

## **PENSIONS AND PERKS**

One of the hallmarks of Christie's first term as governor has been his fight to require public employees, including public school teachers, to pay more for health and pension benefits. He said the reforms, passed in 2011, would help save taxpayer money and balance the state budget.

But the governor has taken no action to rein in pension costs charged by these private schools, which surpassed \$19 million in 2012, records show.

Most of the schools offer their own private pension plans that they administer, but the public gets the bill. Some of the pensions are based upon the amount of money contrib-

uted to the plan, and some pay out a guaranteed amount of money similar to plans offered to public employees.

One critical difference, however, is that many of the schools do not require their employees to kick in any money, as opposed to public employees such as teachers, who pay 6.78 percent of their salary toward pension, and police and firefighters, who pay 10 percent.

The nonprofit Milton School in Maplewood, which served a daily average of 11 students in 2012, contributed the equivalent of 25 percent of employees' salaries to pensions and required no contributions by its employees. The school had the highest per-student pension cost at \$8,233.

School Director Virgilio Alomar said he employs a "highly talented professional staff who have been trained to meet the academic, social and emotional needs of our student population" and noted his teachers earn less than the average public school teacher.

Other schools that offered generous pensions were the nonprofit Oakwood School in Tinton Falls, which had an average daily enrollment of 32 and paid \$6,949 per student in pension costs, financial audits show, and Somerset Hills, which had an average daily enrollment of 97 and paid \$6,766 per student.

Overall, the average pension cost per student at all schools was about \$2,200.

Steve Baker, a spokesman for the New Jersey Education Association, the largest public school teachers union in the state, said every dollar put toward education should be spent well, "and that should absolutely be true of money that's passed on to private entities."

"Anyone who sees money being given to private entities who are not held accountable for how it's used, well, I think that's an issue a lot of taxpayers will care about," Baker said.

Some schools offer other retirement perks, even after employees get in trouble.

At the High Road Schools of New Jersey, a former official who admitted in 2008 to overbilling taxpayers more than \$1.3 million has subsequently collected more than \$88,000 in retiree health benefits, paid for by the same taxpayers she ripped off, documents obtained by The Star-Ledger show.

Ellyn Lerner - the former president and chief executive of High Road and another company, Kids 1 - served three months for boosting the schools' profits at the public's expense and charging taxpayers for equipment sent to out-of-state schools.

Peter Aseltine, a spokesman for the state Attorney General's Office, which prosecuted Lerner, said the health benefit was not in violation of the plea agreement. High Road paid restitution and no longer does business in the state, and the schools are now run by New Road Schools of New Jersey. Lerner and New Road Schools did not return requests for comment.

## LUXURY CARS

Fifteen schools reported charging taxpayers, in part, for 22 cars, many of them luxury brands, used not for instructional purposes but as personal transportation for school officials. The majority of the cars were kept at officials' homes, according to disclosure reports.

State rules require schools to keep mileage logs and deduct personal use from the cost of the cars, and there is a maximum that can be charged to taxpayers. The schools, however, are not required to show on disclosure reports or, in their annual audits, how much they charge the public.

For example, each of the Deron schools listed a 2009 Lexus ES 350 and 2010 BMW X5, with combined lease payments of more than \$700 a month. Kenneth Alter said the school charged the state limit of \$6,535 to taxpayers - about \$545 per month - and the owners paid the rest.

The Y.A.L.E. School in Cherry Hill reported owning a 2007 Lexus LS 460 purchased for \$53,746 and a 2010 Land Rover LR4 purchased for \$59,377. The school's director, Chris Sarandoulas, said a total \$5,571 was charged to tuition in the 2010 school year, and a similar amount in 2011. He did not provide amounts for 2012, but said that any non-business use of the cars was paid by the owners and not the public.

The for-profit Alpha School in Jackson reported paying \$819 a month to lease a 2011 BMW 535xi, according to disclosure reports, and the for-profit Clearview School in Wayne reported paying \$500 a month to lease a 2011 Lexus RX 350. It was unclear how much was charged to taxpayers.

Officials for Clearview said in state disclosure forms the Lexus was necessary for "business-related duties" such as "attending conferences, seminars and meetings, visiting district business offices and meeting with professional support staff and consultants."

Public schools cannot own luxury vehicles, but state rules do allow districts to assign vehicles to superintendents, security supervisors or other top officials who are on-call 24 hours. The vehicles must be used for official business.

Thiers said the expenses were a drop in the bucket compared with overall spending.

"There's nothing illegal about it or anything," he said.

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## URL:

[http://www.nj.com/politics/index.ssf/2013/10/nj\\_private\\_schools\\_students\\_disabilities\\_spotty\\_oversight\\_high\\_salaries\\_nepotism\\_luxury\\_cars\\_busines.html](http://www.nj.com/politics/index.ssf/2013/10/nj_private_schools_students_disabilities_spotty_oversight_high_salaries_nepotism_luxury_cars_busines.html)

# Ethics official resigns after revelations

Newspaper found ex-head of private school for disabled students owes IRS \$182K

**By Christopher Baxter**  
STAR-LEDGER STAFF

A member of the state Department of Education's School Ethics Commission has resigned after a recent investigation into the spending of taxpayer dollars at New Jersey's private schools for students with disabilities.

The Star-Ledger's review found Jerome Amedeo, the former executive director of the Somerset Hills School in Warren Township, owed \$181,739 in unpaid federal taxes from 2008 to 2010, according to a lien filed in Somerset County.

The review also found Somerset Hills and about 180 schools like it are paid for by the public but can spend in ways public schools cannot, fueling nepotism, high salaries, fancy cars, generous pensions and questionable business deals.

Gov. Chris Christie has since ordered a review of spending at the schools, together a more than \$600 million industry, and several top Democrats have vowed to pursue reforms.

A spokesman for the Education Department, Michael Yaple, confirmed Amedeo resigned from the commission Oct. 16, three days after the newspaper's investigation was published. Amedeo was nominated to the post in 2008 by former Democratic Gov. Jon Corzine.

Several attempts last week to reach Amedeo about why he resigned were unsuccessful. The Education Department declined to release his resignation letter, and instead directed The Star-Ledger to file an open public records request. That request had not been fulfilled as of Friday.

Amedeo said during The Star-Ledger's investigation that he was penalized by the Internal Revenue Service for using his entire 401(k) retirement account to purchase the school's land and buildings in 2007, the same year he retired.

The school, and in turn taxpayers, now pay thousands of dollars in rent to Amedeo every year.

State records show Somerset Hills spent \$431,075 on

rent in 2012, most of which was paid to a company owned by Amedeo.

He also earns money through rent paid by the Somerset Hills Residential Treatment Center, which is affiliated with the school.

The state Department of Children and Families, which contracts with the treatment center to provide housing and services for children in need, last year signed a two-year deal with the center worth a maximum \$14.3 million.

The department has subsequently suspended placements at the center and removed some residents after complaints.

Amedeo and his wife, Carol, are major Republican Party political donors, having given about \$170,000 to state GOP coffers, dating to 1993, campaign records show. That includes \$17,400 to Christie, including \$3,800 from him in February.

He served on Christie's transition team in 2009, and in May 2011 was nominated by the governor to the board of commissioners for the North Jersey District Water Supply Commission, where he earns \$1,200.

Amedeo also serves on the board of trustees at Monmouth University, his alma mater, and earns income overseeing Camp Harmony, a family-run, 87-year-old private summer retreat held on the grounds of the school and the treatment center.

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## State to end its contract with facility for children

Center's practices raised flags in report

**By Christopher Baxter**  
STAR-LEDGER STAFF

When state authorities froze placements and removed some residents from one of New Jersey's private treatment facilities earlier this year, they made no announcement of the action and later declined to say what went wrong at an institution that has been taking in children for four decades.

But a report recently obtained by The Star-Ledger makes clear that the state found serious trouble inside Somerset Hills Residential Treatment Center. On Wednesday, two days after the newspaper inquired about the findings, the state disclosed it was cutting ties with the facility Dec. 31.

The report, released under the state Open Public Records Act, alleges a litany of alarming practices: children subjected to unwarranted physical restraint, incident reports with inaccurate and incomplete information, medical records missing documentation and deficient treatment plans.

State inspectors also said in the report that children at the treatment center had been confined to an office for "excessive periods of time" as punishment for acting out, a practice the state later demanded the center discontinue "immediately."

The state's findings stemmed from an April inspection of the for-profit Warren Township center, which, though privately owned and operated, is paid by taxpayers to treat boys ages 11 to 15 with social, emotional, behavioral and psychological problems.

The Christie administration last year signed a two-year deal with the center worth a maximum \$14.3 million. Then, in March, the Department of Children and Families temporarily suspended placements of children at the facility after complaints prompted a review.

State officials have declined to describe the nature of the complaints, citing confidentiality laws.

The suspension came to light last month after a Star-Ledger investigation found abuse of taxpayer money, nep-

otism, high salaries and questionable business deals at the state's private schools for special-needs students, including Somerset Hills School, which is tied to the center.

Last week, in response to questions about the inspection report, the department said it would not renew the center's contract when it expires at the end of the year. The center generated \$6.6 million in revenue in 2011, all of which came from the state, the latest available audit shows.

The number of state placements at the center had fallen to 26 as of Friday, down from approximately 71 in March, said Ernest Landante, a spokesman for the department. He said the state anticipated that all of the remaining children would be relocated as of Jan. 1.

Before being informed the contract would not be renewed, the executive director of Somerset Hills School and the treatment center, Ryan Kimmins, told The Star-Ledger the inspection report was "outdated" and the department had withdrawn some concerns.

"All of the ones which remained have been addressed to the satisfaction of (the department)," Kimmins said.

On Friday, after being told of the department's decision, Kimmins said that after "begging" the department to discuss the future of the center, they met Nov. 7 and he was "told many encouraging things about the improvements in which we invested."

"Only two days ago did we get a terse letter from (the department) seeking to end the relationship with the treatment center on Dec. 31 without explanation," Kimmins said.

"We are conferring presently with attorneys and financial advisers to assess the immediate impact of (the department's) decision," he said. "In the meantime, we will endeavor to honor all the responsibilities entrusted to the treatment center."

He added that the trouble facing the center, established in 1971, would not affect the school.

### 'VEIL OF SILENCE'

Advocates for children's rights are asking why the De-

partment of Children and Families did not tell the public what it had found until the newspaper inquired eight months after inspectors visited.

"I don't understand what the big veil of silence is, and I don't think there's any excuse for it," said Peg Kinsell, policy director at the Statewide Parent Advocacy Network. "Public money should not be going to abuse our kids."

Kinsell said lawmakers should require that the department proactively make problems at these treatment centers public.

"They all need way more sunshine," she said.

Although the information was not released publicly, Landante said meetings were held with family members of children at the facility after placements were suspended, to discuss the situation with them and determine if they should leave.

"This process resulted in alternative treatment plans being created for some youth near the time that admissions were closed, while it was determined to be in the best interest of other youth to remain in Somerset Hills' program," he said.

The executive director of Disability Rights New Jersey, Joseph Young, said there was growing interest within his organization to take a hard look at centers similar to Somerset Hills to analyze how well children are served.

"The use of restraint should be the major exception and should be stopped as soon as possible," Young said. "So the fact that this is raised here on an inspection report is the greatest item of concern."

But Megann Anderson Fischer, the executive director of the New Jersey Alliance for Children, Youth and Families, which advocates for treatment centers including Somerset Hills, said the state's inspection report did not tell the

whole story.

"A biennial inspection report executive summary summarizes an organization's compliance with these standards over a two-year period," Anderson Fischer said. "It is not designed to provide a comprehensive account of the operations of these organizations."

## SLEW OF PROBLEMS

The state's inspection report homed in on improper restraint at the Somerset Hills center as a dual problem: There was the practice itself, and then there was the lack of records about its use.

The center, the state said, engaged in "inaccurate/incomplete documentation of physical restraint incidents and the unwarranted use of physical restraint."

Inspectors said "psychotropic medication consents and pre-treatment clinical assessments" were missing the required information, logs were missing documentation that medication was given and some medication labels were incomplete.

The report also noted "instances when residents were restricted to the Residential Services Office" for prolonged periods of time as a form of discipline when children got out of hand. The department demanded the center stop the practice at once.

In response to the findings, the center submitted an improvement plan to the state May 15. But in a letter to Somerset Hills dated Aug. 7, the department said it was still concerned about the center's ability to provide "quality treatment."

"(The department) will not be lifting the suspension of referrals at this time," the letter said.

A week later, the center and the department signed an

## A LOOK AT HOW IT ALL UNFOLDED

*Seven months after the Christie administration signed a new contract with the Somerset Hills Residential Treatment Center in Warren Township — which serves up to 72 boys ages 11 to 15 with social, emotional, behavioral and psychological problems — serious concerns prompted a suspension of placements and eventually a decision by state officials to cut ties with the facility.*

### 2012

**Aug. 6:** The state Department of Children and Families signs a two-year contract with the Somerset Hills Residential Treatment Center worth a maximum \$14.3 million. The contract runs from Jan. 1, 2012, to Dec. 31, 2013.

### 2013

**March 7:** The department suspends placements and soon after removes some residents from the treatment

center after receiving complaints and undertaking an investigation. No public announcement is made about the suspension or safety of residents.

**April 5:** The center requests the department reverse its decision on the suspension.

**April 15-22:** Department inspectors uncover numerous problems, including unwarranted physical restraint and inaccurate incident reports, incomplete medical records and treatment plans, and fire code violations. No public announcement is made.

**April 17:** The department refuses to lift the suspension.

**May 15:** The center submits a quality improvement plan to the department.

**June 17 and July 17:** Officials from the department and center meet to discuss problems at Somerset Hills.

**Aug. 7:** In a letter to the center, the department says the improvement plan is lacking and refuses to lift the suspension because it "continues to have concerns regarding Somerset Hills' ability to provide the quality treatment necessary."

**Aug. 14:** In a letter to the department, the center says it has agreed to all requested reforms and asks for an explanation as to why the state is unwilling to lift the suspension. The center says the state has put it in "financial peril."

**Aug. 20:** The center and the department agree to a contract addendum that requires dozens of reforms at the facility.

**Oct. 13:** A Star-Ledger investigation into spending by the state's private schools for students with disabilities, including a school tied to the center, finds nepotism, high salaries, fancy cars, generous pensions and questionable business deals.

**Oct. 11 and 21:** The newspaper files public records requests seeking additional information about the center's suspension.

**Oct. 27:** A follow-up story for the first time discloses the department had suspended placements at the treatment center, but officials decline to say what had gone wrong at the facility, citing state and federal confidentiality laws.

**Nov. 18:** The department releases letters between it and the center; its April inspection report and the contract addendum.

**Nov. 20:** The center tells The Star-Ledger it has addressed all concerns to the satisfaction of the department. Hours later, the department says it told the center it will not renew its contract when it expires.

*Source: Department of Children and Families*

agreement requiring dozens of reforms at the facility.

The agreement mandated sweeping retraining for all staff members at the facility, including in the use of “verbal de-escalation” to avoid physical restraint, as well as on disciplinary policies and children’s rights.

The department required the center to comply with reporting procedures and training from its Institutional Abuse Investigative Unit. After agreeing to changes ordered by the state, the center asked the department to resume placements, but the department again refused.

The state’s “continued insistence on suspending our referrals has put Somerset Hills in complete financial peril, to the point where the continued existence of our programs is in doubt unless the suspension ... is lifted immediately,” Kimmins wrote.

“Such a highly punitive result is unfair to the children attending our facility as well as our dedicated staff,” he said.

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