



# TEXAS EDUCATION AGENCY

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Robert Scott  
Commissioner

2007-2008  
101-909

July 31, 2008

CERTIFIED MAIL

Members of the Board of Trustees  
Mr. William Jones, Interim Superintendent  
North Forest Independent School District  
P.O. Box 23278  
Houston, Texas 77228-3278

Dear Members of the Board and Mr. Jones:

The purpose of this letter is to notify the North Forest Independent School District (ISD) of an increase to the sanction and intervention levels currently imposed by the Texas Education Agency (TEA or agency) on the district. The district's extensive history of deficiencies, its recent significant problems, and its current failure to consistently work cooperatively with the assigned management team compel me to once again exercise my responsibility for safeguarding the educational environment provided for the district's students.

Problems in the North Forest ISD have been addressed by the TEA dating back many years. Financial, data reporting, and programmatic compliance concerns have plagued the district since the mid-1990s when the district's external auditor identified financial deficiencies and a failure to report accurate data caused the lowering of the district's academic accountability ratings in the 1999 and 2000 rating years. Additionally, the district has repeatedly failed to produce adequate documentation to validate proper coding of fiscal and student data and proper expenditure of funds.

In the intervening years, progress has been sporadic and regression has been frequent. The most recent interventions by the agency have consisted of the assignment of a lowered 2007-2008 accreditation status as referenced in a June 13, 2008, TEA letter. The status of Accredited-Probation was assigned following a special accreditation investigation conducted by the agency, which identified material, systemic, and pervasive weaknesses in the district's financial, accounting, and data reporting systems and in its systems of complying with federal and state program requirements, reflecting a lack of proper internal controls to ensure the efficient and effective operation of the district. These deficiencies remained even after the assignment of a management team to the district. As you are aware, a financial conservator was placed in the district in March 2007, and an academic conservator was added in November 2007 to form a management team. Despite the diligent work of Mr. Henry Boening and Ms. Barbara Wilson, critical areas of deficiency remain.

Deficient conditions in the district continue to center around three major areas: finance, compliance with federal and state statutory and regulatory requirements, and efficient and effective district management. According to reports submitted by the management team and data compiled by TEA staff, current cash flow concerns will result in an approximately \$11.8 million deficit in the district's operating fund at the close of the 2008 fiscal year (August 31, 2008). The district will not be able to sustain itself financially at its current taxing structure. The district's precarious financial condition has resulted in an inability of the district to meet payroll with appropriate sources of funds

and to secure short-term bridge loans, which have been denied by several banks, including the district's depository bank. Additionally, the district's bond rating has been downgraded because of the district's ongoing financial problems and recent declarations of financial exigency. The district's ongoing inability to manage its finances also is reflected in its inability to reconcile the district's current bank statements.

Clear problems with federal and state compliance have existed and remain in the district. The agency's recent review of the district's special education program, as requested by the United States Department of Education, Office of Inspector General, has resulted in preliminary findings of substantial noncompliance with procurement laws which are likely to result in a substantial questioned cost. These problems are in addition to issues of noncompliance identified by a TEA monitoring team in a report issued in October 2007, which continue to be addressed by the academic conservator. Additionally, a review of the federal No Child Left Behind program by TEA monitors and auditors disclosed a failure of the district to implement program requirements, resulting in substantial questioned costs to be detailed in an upcoming TEA report.

School governance is unstable in the North Forest ISD and has been so for quite some time. According to members of the management team, quality effective board leadership is not evident. The board of trustees has taken little independent initiative to find solutions to the critical ongoing financial solvency concerns and instructional needs of the district, and trustees on several occasions have failed to support recommendations from the interim superintendent, the conservator, and TEA staff. This failure is reflected in the board's decision to release the district's former superintendent with a \$233,000 buyout of his contract and in the subsequent multiple attempts of the board to rehire the same superintendent. To make decisions critical to the welfare of the district, the conservator also has had to overrule the board of trustees on several occasions. This ongoing failure of leadership and direction has resulted in significant and pervasive operating deficiencies within the district and an inability of the district to sustain progress and retain quality staff over time.

Under the authority of Texas Education Code (TEC) §39.131(a)(9), and pursuant to the requirements of 19 Texas Administrative Code (TAC) §97.1073(e), I will assign a board of managers to the North Forest ISD. I am requesting preclearance from the Department of Justice to allow the temporary appointment by the TEA of this board of managers. According to state statute, the board of managers will exercise the powers and duties of the district's board of trustees. Pursuant to TEC §§7.055(b)(32) and 39.136, the powers of the existing board and interim superintendent will be suspended when the board of managers and a TEA-assigned superintendent are introduced to the district at a meeting of the board of trustees in the near future. TEC §39.134 stipulates the provisions for paying specific members of the board of managers and the superintendent. Those will be detailed in the upcoming correspondence that names the individuals to be assigned.

In accordance with 19 TAC §97.1037(a)(3), the district may request a record review related to the assignment of board of managers under TEC §§39.131 and 39.136. A request for record review related to this assignment must be received by the TEA **no later than August 14, 2008**, and may be addressed as follows.

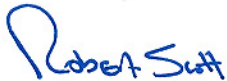
Dr. Adrain Johnson  
Associate Commissioner for Accreditation  
Texas Education Agency  
1701 North Congress Avenue  
Austin, Texas 78701  
Fax: (512) 463-3136

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Additional information regarding the record review process can be referenced at 19 TAC §97.1037 at the *Texas Administrative Code—Currently in Effect* link available at <http://www.tea.state.tx.us/rules/tac/index.html>.

My concern for the long-term education of the students served by the North Forest ISD compels me to take this action. As is customary with state intervention, the board of managers and superintendent will report to me on a regular basis concerning the progress of the district. Any decisions regarding modification of the intervention assigned will be based heavily on the content of those regular reports. Any questions concerning the state intervention described herein can be address to Dr. Johnson at (512) 463-5899.

Sincerely,



Robert Scott  
Commissioner of Education

RS/aw

Enclosure

cc: The Honorable Congresswoman Sheila Jackson Lee, U.S. House of Representatives  
The Honorable Mario Gallegos, State Senator  
The Honorable Rodney Ellis, State Senator  
The Honorable John Whitmire, State Senator  
The Honorable Senfronia Thompson, State Representative  
Bill McKinney, Executive Director, Region 4 Education Service Center  
Ray Glynn, Deputy Commissioner for School District Leadership and Educator Quality, TEA  
Adrain Johnson, Associate Commissioner for Accreditation, TEA  
Laura Taylor, Deputy Associate Commissioner, Program Monitoring and Interventions, TEA  
Gaye Lang, Senior Director, Campus Turnaround, TEA  
Rita Chase, Senior Director, Financial Audits, TEA  
Ron Rowell, Senior Director, Governance and General Inquiries, TEA  
David Anderson, General Counsel, TEA  
Jeff Armstrong, Senior Counsel, TEA  
Sandy Lowe, Senior Counsel, TEA  
Jim Thompson, Senior Counsel, TEA  
M.J. Nicchio, Governmental Relations, TEA  
Barbara Wilson, Management Team Member  
Henry Boening, Management Team Member