

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SPECIAL INVESTIGATION REPORT
OF

INDIANA AGRICULTURE AND
TECHNOLOGY SCHOOL
HAMILTON COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
01/25/2021

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Transmittal Letter	2
Results and Comments:	
Background.....	3
Improper Tuition Support Received.....	3-5
Overpayment of Tuition Support.....	5-7
Overpayment of Complexity Grant	7-8
Overpayment of Special Education Grant.....	8
Special Investigation Costs	9
Student Engagement Policy Deficiencies.....	9-11
Internal Control Deficiencies.....	11-12
Insurance Coverage	12
Exit Conference.....	13
Official Response	14
Summary of Charges	15
Affidavit	17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE INDIANA AGRICULTURE AND TECHNOLOGY
SCHOOL, HAMILTON COUNTY, INDIANA

This is a special investigation report for the Indiana Agriculture and Technology School (School), for the period July 1, 2018 to June 30, 2020, and is in addition to any other report for the School as required under Indiana Code 5-11-1. All reports pertaining to the School may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts and were limited to records associated with the reporting of student enrollment and attendance. The Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

November 30, 2020

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL RESULTS AND COMMENTS

BACKGROUND

On June 29, 2017, the Nineveh-Hensley-Jackson United School Corporation (NHJ) applied for authorizer registration with the Indiana State Board of Education (SBOE) for a brick and mortar charter school, which was approved by the SBOE on August 3, 2017. On September 12, 2017, the NHJ, as Authorizer, entered into a Charter School Agreement with Indiana Agriculture Education, Inc. (IAE), as Organizer, granting a charter for a public virtual charter school, creating the Indiana Agriculture and Technology School (IATS). On July 30, 2018, the IATS began operations.

Prior to the IATS opening operations in 2018, the SBOE became aware that the IATS may intend to operate as a virtual charter school instead of a brick and mortar charter school. The SBOE issued a notice to the NHJ disclosing potential noncompliance with Indiana Code 20-24 and requested the NHJ immediately address the issues to prevent further action. Subsequent events and communications between the NHJ and the SBOE regarding the status of the IATS' operations and the NHJ's authorizer status, eventually led to denial of certain grant funding for the IATS by the SBOE in 2019, which was affirmed by a Final Order issued by SBOE on February 17, 2020, under *In re the Matter of Indiana Agriculture & Technology School*.

On February 27, 2020, the SBOE issued a Notice of Violation to the NHJ requiring corrective action, which provided, "By authorizing IATS, a virtual charter school with regional campuses across the state, NHJ has exceeded its chartering authority in violation of IC 20-24-2.2-1 .2(b)." On June 9, 2020, a revised Charter School Agreement was entered into, which removed any language referencing virtual education.

The Indiana Department of Education (IDOE) provided the Indiana State Board of Accounts (SBOA) with a report on the IATS dated March 3, 2020, requesting further investigation based on a pattern of irregular data and trends. The following describes noncompliance with statutes or the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

IMPROPER TUITION SUPPORT RECEIVED

Under Indiana's tuition support funding framework, brick and mortar charter schools receive 100 percent basic tuition support funding from the IDOE, and a virtual charter school receives a statutory percentage of basic tuition support based on a unique funding formula. For school year 2018-2019, virtual charter schools received 90 percent basic tuition support. For school year 2019-2020, virtual charter schools received 85 percent basic tuition support.

For school year 2018-2019, the applicable version of Indiana Code 20-43-6-3(b) set the calculation for basic tuition support for brick and mortar charter schools, as being ". . . equal to the foundation amount multiplied by the school corporation's current ADM for the year." Indiana Code 20-24-7-13(a) applied to calculations of basic tuition support for virtual charter schools, where ". . . more than fifty percent (50%) of instruction is provided in an interactive learning environment created through technology in which students are separated from their teacher by time or space, or both." The relevant version of Indiana Code 20-24-7-13(c) set the calculation of basic tuition support for virtual charter schools for school year 2018-2019, based on a complex formula involving calculation against 90 percent of the virtual school's foundation amount determined under Indiana Code 20-43-8-3.

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

For school year 2019-2020, Indiana Code 20-43-6-3(b) sets the calculation for basic tuition support for brick and mortar charter schools. Specifically, the applicable version of Indiana Code 20-43-6-3(b) states in relevant part, "This subsection applies to a school corporation that does not have any students in the school corporation's current ADM for the year for whom, of the instructional services that the students receive from the school corporation, at least fifty percent (50%) is virtual instruction." Indiana Code 20-43-6-3(c) applies to a school corporation with students included in its current Average Daily Membership (ADM) for the year that receive at least 50 percent of instruction virtually, and sets calculation of basic tuition support for virtual charter schools for school year 2019-2020 based on 85 percent of the virtual school's foundation amount.

The IATS received 100 percent basic tuition support funding for the 2018-2019 and 2019-2020 school years, based on representations made to the IDOE that the IATS operated as a brick and mortar charter school. To determine if the IATS met eligibility requirements for 100 percent basic tuition support funding, we selected 16 students and requested documentation, to verify that these students received non-virtual instruction over 50 percent of the time. Of the 16 students tested, the only documentation provided by the IATS that showed any non-virtual instruction for these school years were sign in sheets of 6 students. No other documentation was provided to show these 16 students received any other type of non-virtual instruction. Based on our testing, there was insufficient documentation to show the IATS was operating as a blended brick and mortar charter school.

In addition to our testing, we reviewed documentation obtained during the examination and investigation to confirm whether the IATS was operating as a virtual charter school, or as a brick and mortar charter school with blended virtual components, for the above school years. Pursuant to Section 3.3 of the Charter School Agreement, the IAE was contractually obligated to operate the IATS in accordance with the governance plan set forth in IAE's application materials for the charter/IATS, which are attached as exhibits to the Charter School Agreement. The Request for Proposals (RFP) for school year 2018-2019 in the application materials, states under "Geographic Community" the following: "Entire State of Indiana. This is a virtual charter school." Directly under this section of the RFP it states, "Model of Focus of Proposed School [IATS]: Online Virtual School for grades 7 – 12 . . ." Further, IATS' Student Handbook for the 2019-2020 school year states under "Student Discipline" as follows: "Although this school [IATS] is a virtual school, because of the availability and frequency of interactions between students, their families, and school personnel, all students will be expected to conduct themselves appropriately while on school property, attending a school function or interacting with school personnel." Based on additional documentation review, which included the foregoing, we determined the IATS was created and contractually obligated to operate as a virtual charter school for school years 2018-2019 and 2019-2020, which included blended components insufficient to qualify as a brick and mortar charter school.

After determining the correct percentage of basic tuition support the IATS was entitled to for the 2018-2019 and 2019-2020 school years based on the above, our examination procedures reviewed documentation provided by the IATS to determine eligible students for ADM purposes, consistent with the requirements and process outlined in this special investigation report under the subsequent "Overpayment of Tuition Support" section.

For school year 2018-2019, the IATS certified a September ADM count of 129 students to the IDOE. Adjusting for students ineligible for ADM purposes, as detailed in this report under "Overpayment of Tuition Support," we determined 123 students were eligible for inclusion in the September ADM count.

For school year 2019-2020, the IATS certified a September ADM count of 192 to the IDOE, and a February ADM count of 213 students. Adjusting for students ineligible for ADM purposes, as detailed in this report under "Overpayment of Tuition Support," we determined 191 students were eligible for inclusion in the September ADM count and 200 students were eligible for inclusion in the February ADM count.

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

Based on the amount of eligible students for ADM purposes, we calculated tuition support the IATS actually received from the IDOE for the eligible students for each respective school year and compared it against calculations for eligible students at the correct percentage the IATS was actually entitled to at the virtual charter school percentages (90 percent for 2018-2019 and 85 percent for 2019-2020). The following schedule shows the amount of basic tuition support overpaid to the IATS as a result of receiving 100 percent basic tuition support for each relevant school year for eligible students, rather than the correct percentage of basic tuition support payments for virtual education programs applicable for each school year:

School Year	Adjusted Eligible Students	Adjusted Tuition Support Received	Correct Tuition Support	Overpaid Tuition Support
2018-2019 (September)	123	\$ 658,296.00	\$ 592,466.40	\$ 65,829.60
2019-2020 (September)	191	529,834.00	450,358.90	79,475.10
2019-2020 (February)	200	554,800.00	471,580.00	83,220.00
Totals		<u>\$ 1,742,930.00</u>	<u>\$ 1,514,405.30</u>	<u>\$ 228,524.70</u>

Relevant to school year 2018-2019, pursuant to Indiana Code 20-24-7-13(a), "virtual charter school" means "any charter school, including a conversion charter school, in which more than fifty percent (50%) of instruction is provided in an interactive learning environment created through technology in which students are separated from their teacher by time or space, or both."

Relevant to school year 2019-2020, pursuant to Indiana Code 20-19-9-1, "virtual education program" means "a program provided by a school corporation in which more than fifty percent (50%) of instruction, other than instruction for recovery credit courses, to students participating in the program is provided in an interactive learning environment created through technology in which the student is separated from a teacher by time or space, or both."

We requested that the IATS reimburse the State of Indiana \$228,524.70 for improper tuition support received. (See Summary of Charges, page 15)

OVERPAYMENT OF TUITION SUPPORT

The IATS was required to submit a Report of Average Daily Membership (ADM) to the IDOE twice per year, in September and February. ADM reports were used by the IDOE to calculate the tuition support payments due to the School. For the 2018-2019 school year, the September 2018 ADM report was used by the IDOE to calculate the tuition support payments due to the School. For the 2019-2020 school year, both the September 2019 and February 2020 ADM Reports were used by the IDOE to calculate the tuition support payments due to the School.

Individuals who sign the ADM report must certify, "The undersigned certify that this report is true and accurate in every respect to the best of their knowledge and belief." The Superintendent, Principal, Director of Schools, and the Treasurer are responsible for signing the ADM report and certifying the accuracy of the included figures. For both reports in the 2018-2019 school year and for the September count date report in the 2019-2020 school year, the certification had been removed from the form. Keith Marsh and John Curtis were the individuals who signed the forms. The February 2019 ADM report was signed by only Keith Marsh.

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

To achieve our examination objectives, we performed tests of data made available by the School on their online learning vendor system. Consistent with a reasonable interpretation of applicable statutory definitions, to perform the ineligibility determinations, we used methodology that counted a student as eligible if there was any credible data or information indicating that the student was "enrolled," "attending," and an "eligible pupil" for purposes of ADM reporting.

The School did not have a Student Engagement Policy for the 2018-2019 school year. The School did have a Student Engagement Policy for the 2019-2020 school year, but it did not have specific dates or timelines that would make it possible to determine when a student was considered ineligible. We reviewed online learning vendor log-in records and identified all student ID numbers that had zero online activity from July 30 (the first day of school) to September 30 for the 2018-2019 school year, and August 12 (the first day of school) to September 30 for the 2019-2020 school year. If a student had not logged in at all during those time periods, we determined that he or she did not meet eligibility requirements and should not have been included in the September ADM counts. For the February 2020 count date, we reviewed online learning vendor log-in records and identified all student ID numbers that had zero online activity from January 6 (the first day of 2nd semester) through the end of February. If a student had not logged in at all during that time period, we determined that he or she did not meet eligibility requirements and should not have been included in the February ADM count.

Below is a schedule of ineligible student counts and the corresponding tuition support overpaid:

<u>School Year</u>	<u>Students With No Online Activity</u>	<u>Overpaid Tuition Support</u>
2018-2019 (September)	6	\$ 32,112
2019-2020 (September)	1	2,774
2019-2020 (February)	13	<u>36,062</u>
Total		<u>\$ 70,948</u>

Pursuant to Indiana Code 20-43-4-1(a) and the IDOE Membership Layout instructional forms, this report is to include only eligible students at the time of the student count dates. When schools submit their ADM numbers in the state system, the responsible officers and employees of the school are required to affirm that the figures have been reviewed and are accurate in consideration of the applicable statutory definitions and rules. Additionally, the IDOE Membership Layout provides, "Supporting documentation of enrollment and attendance information by grade and school must be signed by the building principal and made available in the event of an audit of state distributions by [SBOA]."

The IATS adopted a Student Handbook effective for the 2019-2020 school year. In the student handbook, there are provisions for Student Engagement, Documentation of Attendance, and Academic Review Status policies. The Student Engagement Policy states that a student that fails to participate in courses may be withdrawn from enrollment with the school provided that certain criteria are followed. The Academic Review Status Policy addresses those criteria. The parent and student are sent letters by Student Learning Advocates when there is a lack of academic performance. Two such letters are sent, with the third letter resulting in the withdrawal of the student from the School. The letters are to include that the "parent is to notify their Student Learning Advocate by a certain date . . .," but there is no timeframe of the "certain date" indicated in the Student Engagement Policy. The Documentation of Attendance Policy requires that a student be online for a minimum of 4 hours to be counted as attended for that day. Student Learning Advocates are tasked with taking attendance daily and are to contact the family if the student is not shown as logged in.

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

Indiana Code 20-43-4-1(a) provides, "An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation . . ." Under Indiana Code 20-43-1-11.5, "Enrolled" means to be: "(1) registered with a school corporation to attend educational programs offered by or through the school corporation; and (2) attending these educational programs or receiving educational services." Under Indiana Code 20-43-1-7.5, "Attending" means "physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered."

The Organizer shall maintain records (enrollment card, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

We requested that the IATS reimburse the State of Indiana \$70,948 for the overpayment of tuition support. (See Summary of Charges, page 15)

OVERPAYMENT OF COMPLEXITY GRANT

Schools in Indiana receive additional funding for tuition through a complexity grant, which is determined by the IDOE using information from the ADM report and calculations by IDOE. The School received the complexity grant in school years 2018-2019 and 2019-2020. Since the School included ineligible students on their ADM report, calculations for the complexity grant were inaccurate. Below is a schedule of the complexity grant monies received for ineligible students:

<u>School Year</u>	<u>Students With No Online Activity</u>	<u>Overpaid Complexity Grant Funds</u>
2018-2019 (September)	6	\$ 1,632.90
2019-2020 (September)	1	140.35
2019-2020 (February)	13	<u>1,824.55</u>
Total		<u>\$ 3,597.80</u>

Indiana Code 20-43-4-1(a) provides, "An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation . . ." Under Indiana Code 20-43-1-11.5, "Enrolled" means to be: "(1) registered with a school corporation to attend educational programs offered by or through the school corporation; and (2) attending these educational programs or receiving educational services." Under Indiana Code 20-43-1-7.5, "Attending" means "physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered."

The Organizer shall maintain records (enrollment card, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

We requested that the IATS reimburse the State of Indiana \$3,597.80 for the overpayment of complexity grant funds. (See Summary of Charges, page 15)

OVERPAYMENT OF SPECIAL EDUCATION GRANT

The IATS received state special education grant funds for both the 2018-2019 and 2019-2020 school years. This funding was based on data supplied by the School identifying special education needs students. The IDOE then calculated the funding the School would receive on a per student cost basis, depending on the needs identified by the School.

Analysis of students listed as special education students was done under the same criteria used to determine students for ADM purposes. Ineligible students were included in the special education reports, causing special education funding paid by the state to be overpaid. We calculated the special education funds paid on ineligible students based on the student's funding level, which is determined by the needs identified for that student by the School. Level 1 funding for both years was \$9,156 per student. Level 2 funding for both years was \$2,300 per student. Level 3 funding for both years was \$500 per student. Below is a schedule of the overpayment of special education grant funds:

School Year	Students Per Funding Level			Overpaid Special Education Grant Funds
	Level 1	Level 2	Level 3	
2018-2019	1	0	1	\$ 9,656
2019-2020 (September)	1	0	1	4,828
2019-2020 (February)	2	2	2	11,956
Total				<u>\$ 26,440</u>

Indiana Code 20-43-4-1(a) provides, "An individual is an eligible pupil if the individual is a pupil enrolled in a school corporation . . ." Under Indiana Code 20-43-1-11.5, "Enrolled" means to be: "(1) registered with a school corporation to attend educational programs offered by or through the school corporation; and (2) attending these educational programs or receiving educational services." Under Indiana Code 20-43-1-7.5, "Attending" means "physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered."

We requested the IATS reimburse the State of Indiana \$26,440 for the overpayment of special education grant funds. (See Summary of Charges, page 15)

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred costs due to the special investigation of the School Corporation.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-11-1-27(m) states:

"If the attorney general institutes civil proceedings related to this section or under IC 5-11-5-1, the attorney general shall seek, in addition to the recovery of any funds misappropriated, diverted, or unaccounted for, restitution of:

- (1) costs incurred by the state board of accounts; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general;

in connection with the civil proceedings."

STUDENT ENGAGEMENT POLICY DEFICIENCIES

The IATS established a Student Engagement Policy effective for the 2019-2020 school year. The policy addressed student participation as well as referencing the Academic Review Status Policy. The Student Engagement Policy does not specify a timeline for withdrawal. The Academic Review Status Policy outlines steps taken for withdrawal, but without specific dates or time frames in which those steps would take place.

The Student Engagement Policy states:

"Per IC 20-24-7-13, a student who fails to participate in courses may be withdrawn from enrollment with the school provided that the following has been followed:

1. Adequate notice of the withdrawal is provided to the parent and the student; and
2. An opportunity is provided, before the withdrawal of the student by the school, for the student or the parent to demonstrate that failure to participate in the course is due to an event that would be considered and [sic] excused absence under IC 20-33-2.

Our Academic Review Status policy provides the adequate process required for the Student Engagement Policy. See Academic Review Status Policy."

The Academic Review Status Policy states:

"First ARS Letter

1. Student Learning Advocate notifies through the attendance list from Genesis that the first ARS letter is to be sent to the student and parents. This letter is generated and mailed by the registrar from Indiana Agriculture & Technology School.

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

2. Indiana Agriculture & Technology School will indicate on the attendance list when the ARS letter has been mailed to the student.
3. Parent is to notify their Student Learning Advocate by a certain date that is written in the ARS letter that they have received the letter and have acknowledge [sic] that this is their first warning. Student Learning Advocate and student will work together to ensure that the student is following through and is accountable for their academic work.
4. If the student and parents do not contact their Student Learning Advocate by the posted date, a certified letter will be mailed from Indiana Agriculture & Technology School to let the student know that they have been officially withdrawn from Indiana Agriculture & Technology School for lack of academic performance.

Second ARS Letter

1. Student Learning Advocate notifies through the attendance list from Genesis that the second ARS letter is to be sent to the student and parents due to the student lack of academic work. This letter is generated and mailed by the registrar from Indiana Agriculture & Technology School. This letter indicates that the student and parents must have a conference call to put together an academic plan for the student.
2. Indiana Agriculture & Technology School will indicate on the attendance list when the ARS letter has been mailed to the student.
3. Parent is to notify their Student Learning Advocate by a certain date that is written in the ARS letter that they have received the letter and have acknowledge [sic] that this is their second warning. Student Learning Advocate and student will work together to ensure that the student is following through and is accountable for their academic work.
4. If the student and parents do not contact their Student Learning Advocate by the posted date, a certified letter will be mailed from Indiana Agriculture & Technology School to let the student know that they have been officially withdrawn from Indiana Agriculture & Technology School for lack of academic performance.

Third ARS Letter

1. Student Learning Advocate notifies through the attendance list from Genesis that the second ARS letter is to be sent to the student and parents due to a continual lack of academic work by the student. This letter notifies that the student has continued no to do their academic work and are behind academically. This is the third and final step of the process for the student and is officially withdrawing them from Indiana Agriculture & Technology School. The letter is generated from the registrar of Indiana Agriculture & Technology School.
2. Indiana Agriculture & Technology School will indicate on the attendance list when the student has been officially withdrawn from Indiana Agriculture & Technology School."

Indiana Code 20-24-7-13 states in part:

". . . (h) A virtual charter school shall adopt a student engagement policy. A student who regularly fails to participate in courses may be withdrawn from enrollment under policies adopted by the virtual charter school. The policies adopted by the virtual charter school must ensure that:

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

- (1) adequate notice of the withdrawal is provided to the parent and the student; and
 - (2) an opportunity is provided, before the withdrawal of the student by the virtual charter school, for the student or the parent to demonstrate that failure to participate in the course is due to an event that would be considered an excused absence under IC 20-33-2.
- (i) A student who is withdrawn from enrollment for failure to participate in courses pursuant to the school's student engagement policy may not reenroll in that same virtual charter school for the school year in which the student is withdrawn.
- (j) An authorizer shall review and monitor whether a virtual charter school that is authorized by the authorizer complies with the requirements described in subsections (h) and (i)."

Indiana Code 20-24-5-4.5(e) states:

"A virtual charter school must require that if a student who attends a virtual charter school accumulates the number of unexcused absences sufficient to result in the student's classification as a habitual truant (as described in [IC 20-20-8-8\(a\)\(17\)](#)), the student must be withdrawn from enrollment in the virtual charter school."

Indiana Code 20-20-8-8(a)(17) states: "Habitual truancy, which includes the number of students who have been absent ten (10) days or more from school within a school year without being excused or without being absent under a parental request that has been filed with the school."

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in internal controls that contributed to the incorrect ADM reporting of students to the IDOE as follows:

- There was little to no oversight of the compilation of ADM information. No documentation was provided that showed a review of the ADM counts or submitted forms prior to submission.
- Students were included on the ADM report that had not engaged in the school curriculum prior to the count dates.
- The documentation maintained over non-virtual classes indicated that many students were not attending non-virtual classes as required for the School Corporation to be a traditional brick and mortar education program.
- The engagement policy was not followed to the extent of withdrawing students who were not engaged in school curriculum.
- We were provided no documentation that the NHJ monitored that the IATS was providing more than 50 percent of instructional services through non-virtual learning as a traditional brick and mortar school.
- We were provided no documentation that the NHJ, as Authorizer, reviewed and monitored the IATS compliance with the Student Engagement Policy as required by Indiana Code 20-24-7-13(j).

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
RESULTS AND COMMENTS
(Continued)

Charter schools should have internal controls in place to provide reasonable assurance that their goals and objectives are accomplished; laws, regulations, and good business practices are complied with; assets are safeguarded; and accurate and reliable data are maintained. Internal control touches all activities of the school, extending beyond the accounting and financial functions. It is important to note that even the best internal controls may breakdown due to management override, collusion, mistake, faulty judgment, or cost constraints. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 8)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

INSURANCE COVERAGE

The following is information on insurance coverage for IATS:

Policy Period	Wrongful Acts Amount Each Act	Wrongful Acts Amount Aggregate
02-16-18 to 02-16-19	\$ 1,000,000	\$ 3,000,000
02-16-19 to 02-16-20	1,000,000	3,000,000
02-16-20 to 02-16-21	1,000,000	3,000,000

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2020, with Keith Marsh, Executive Director/Chief Academic Officer; John Curtis, Treasurer; and Allan Sutherlin, President of the School Board.



January 5, 2021

Submitted electronically to officialresponse@sboa.in.gov

State Board of Accounts
State of Indiana
302 West Washington Street, Room E418
Indianapolis, Indiana 46204

RE: Official Response

Ladies and Gentlemen:

This letter serves as the official response of the Indiana Agriculture and Technology School (the "School") to the State Board of Account's (SBA's) draft Special Investigation Report that we recently received for the above referenced audit period of 7/1/18 to 6/30/20.

The School objects to the characterization of the School as a "virtual charter school," rather than a "brick-and mortar" charter school. The School further objects to the process used by the SBA to calculate the level of tuition support and grant funds due to the School for the above referenced audit period. Accordingly, the School objects to the SBA's conclusion regarding tuition support and grant funds.

The School denies any and all liability in this matter and will continue to vigorously defend its position. In making this Response, the School does not waive, and explicitly reserves, the right to assert additional objections and/or legal arguments or defenses in the event that any agency or party seeks to recover any funds from the School.

You can reach me discuss this matter at kmarsh@indiana.ag.

Sincerely,

Keith A. Marsh
Executive Director/Chief Academic Officer

INDIANA AGRICULTURE AND TECHNOLOGY SCHOOL
SUMMARY OF CHARGES
(Due to Malfeasance, Misfeasance, or Nonfeasance)

	<u>Charges</u>	<u>Credits</u>	<u>Balance</u>
Indiana Agriculture and Technology School:			
Improper Tuition Support Received, pages 3 through 5	\$ 228,524.70	\$ -	\$ 228,524.70
Overpayment of Tuition Support, pages 5 through 7	70,948.00	-	70,948.00
Overpayment of Complexity Grant, pages 7 and 8	3,597.80	-	3,597.80
Overpayment of Special Education Grant, page 8	<u>26,440.00</u>	<u>-</u>	<u>26,440.00</u>
Totals	<u><u>\$ 329,510.50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 329,510.50</u></u>

This report was forwarded to the Office of the Indiana Attorney General.

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AFFIDAVIT

STATE OF INDIANA)
Marion)
COUNTY)

We, Gina Gambaiani, CFE, and William F. Vinson, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Indiana Agriculture and Technology School, Hamilton County, Indiana, for the period from July 1, 2018 to June 30, 2020, is true and correct to the best of our knowledge and belief.

Gina Gambaiani

William F. Vinson
Field Examiners

Subscribed and sworn to before me this 20th day of January, 2021

Theresa A. Nichols
Notary Public

My Commission Expires: 12-07-2023

County of Residence: Marion

