

June 5, 2018

Stefany Deckard, State Director of Career and Technical Education
Indiana Department of Education
115 W. Washington Street
South Tower, Suite 600
Indianapolis, IN 46204

Re: INTERIM AUDIT REPORT

Gary Conner, Superintendent
North Lawrence Community Schools
460 W Street/P.O. Box 729
Bedford, IN 47421

Superintendent Conner,

This document serves as the interim report from the Indiana Department of Education for a high-risk audit at the North Lawrence Career Center (Career Center). Due to the nature and severity of the findings described hereafter, this case will remain open until the Indiana Department of Education (the State) is satisfied with the response to the corrective action items.

This matter was initially brought to the State's attention by an employee at Bedford-North Lawrence High School. This employee reported irregularities occurring in the Interdisciplinary Cooperative Education (ICE) program in December of 2017. These reported irregularities included directives from the CTE Director at the Career Center that jeopardized the integrity of student transcripts, student eligibility to earn a high school diploma, and student safety. Additional violations of compulsory attendance laws, inaccuracies in state and federal reporting, and failures in federal grant compliance were also suspected. The State undertook the investigation of these allegations, which included site visits on March 26, April 18 and April 19, 2018, as well as a review of financial compliance with Perkins Grant requirements by the firm of Crowe Horwath.

The following evidence was collected for school years 2016-17 and 2017-18 from all of the school corporations that participate in the Career Center:

- 30A reports, generated from the State
- 30A reports, on file at the Career Center
- Teacher licenses for those teaching CTE courses
- Master schedules from each sending school
- ICE Training Plans and Work-based Learning Training Plans
 - Documentation of student placement with community employers
 - Student attendance records
 - Student grades, student transcripts
- Student assessment records indicating industry certifications and dual credits earned
- Signed MOU agreements with dual credit providers
- General ledgers detailing expenditures for the Carl D. Perkins Federal grant award
- Student Application to attend the Career Center

- Course Syllabi
- CTE program Advisory Committee Minutes and Area District Consortium minutes
- Teacher Professional Development
- Interviews with Bedford-North Lawrence High School staff and Career Center staff
- Teacher Evaluations (Career Center faculty only)

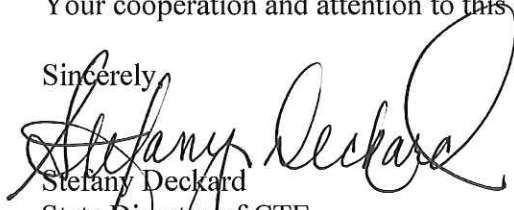
The findings of the investigation are detailed herein. The North Lawrence Career Center and the participating school corporations are hereby placed on an immediate Corrective Action Plan in order to restore the integrity and legitimacy of career and technical education programming provided by the Career Center and the participating school corporations, and to ensure compliance with all Federal and State requirements. It is within the State's authority to withhold future career and technical education funding from the Career Center and the participating school corporations if all corrective actions are not achieved or do not meet the State's requirements.

Unless otherwise noted, all progress toward fulfilling the corrective actions must be addressed as outlined and submitted to the State no later than the 1st day of each month until the State is satisfied with the Career Center's and participating school corporations' progress. Appropriate evidence must also be kept on file at your offices. Finally, the State reserves the right to enter into any participating school corporation and the Career Center at any time it chooses as part of the monitoring process.

This is an interim report. Further investigation of the Career Center and/or participating school corporations is anticipated.

Your cooperation and attention to this matter is appreciated.

Sincerely,



Stefany Deckard
State Director of CTE
Indiana Department of Education

cc: Steve Phillips, Superintendent, Mitchell Community Schools
Greg Walker, Superintendent, Brownstown Central Community Schools
Candace Roush, Superintendent, Shoals Community Schools
Gary McClintic, Superintendent, Orleans Community Schools
Roger Bane, Superintendent, Medora Community School Corporation

The Indiana Department of Education has identified the following findings at the CTE Area District 40 and Participating School Corporations:

FINDING 1:

A total of eight (8) teachers within the CTE Area District 40 (the CTE Area District 40 includes the school corporations that participate in the Career Center) were not appropriately licensed to teach CTE courses to which they were assigned. Five (5) of the eight (8) teachers were teaching at the Career Center; two (2) of the eight (8) were teaching CTE classes in Brownstown Central Community School Corporation; one (1) teacher in Shoals Community School Corporation. It is the responsibility of the district CTE Director and the participating school corporations to ensure all CTE classes are taught by appropriately licensed teachers and to accurately report to the State there are teachers appropriately licensed for each CTE course for which enrollments have been reported. Per I.C. 20-43-8-4 each school corporation is only entitled to receive 30A grant money (which is in addition to basic tuition support) for those CTE courses taught by teachers with the requisite licensing.

All district CTE Directors must submit to the State through the Office of Educator Effectiveness and Licensing (OEEL) the qualifications of teachers who are seeking or renew a license and submit via INTERs (CTE data collection portal) the licensed teacher for each course. All district CTE Directors must also keep record of teacher qualifications onsite.

Evidence validating the qualifications of the eight (8) teachers could not be located onsite at the Career Center nor through the Office of Educator Effectiveness and Licensing (OEEL). The reports to the State inaccurately reported that all teachers were appropriately licensed.

CORRECTIVE ACTION 1A:

By July 1, 2018, the district CTE Director must provide to the State a list of all courses to be offered in 2018-19, the teachers assigned to those courses, and those teachers' licensing information. If this information changes after that date, it must be updated by the district CTE Director immediately. No course in 2018-19, or thereafter, may be offered without a properly licensed teacher. Additionally, all reports made to the State by the district CTE Director, which seek 30A or Perkins Grant money, must be accurate, and the district CTE Director must maintain documentation to support the accuracy of all reports.

CORRECTIVE ACTION 1B:

As a result of inaccurate reporting to the State for 30A funding, and the failure to have properly licensed teachers providing instruction during 2016-17 and 2017-18, \$404,750.00 must be reimbursed to the State.

This amount was calculated in accordance with IC 20-43-8-12 (c): The courses funded per wage and demand data will be funded per pupil based on the fall count multiplied by the number of credit hours (1, 2, or 3) for which the student is enrolled in the fall semester multiplied by the dollar amount per wage/demand rating.

The State will consult with the Superintendents of the participating schools found in violation to develop the specific amount owed by each school corporation and a timeline and process for reimbursement of the amount owed.

FINDING 2:

Documentation was not provided to show two courses designated as “dual credit” were being taught by teachers who were properly credentialed. The Memoranda of Understanding between the awarding dual credit postsecondary institutions and the Career Center could not be located, and it was not determined if dual credits were (or in progress of being) awarded to students. In order for dual credit to be awarded high school dual credit teachers must possess the same qualifications as the faculty employed at the postsecondary institution.

CORRECTIVE ACTION 2A:

All dual credit institutions must be notified immediately regarding each dual credit course offered for 2016-17 and 2017-18 that was taught by a teacher without the proper credentials. The State shall receive by July 1, 2018, the Career Center’s notice to the dual credit institutions and the institutions’ responses. The State reserves the right to request additional documentation and to impose additional corrective actions when this information is received and reviewed.

CORRECTIVE ACTION 2B:

By July 1, 2018, the district CTE Director must provide to the State a list of all dual credit courses to be offered in 2018-19 with the appropriate MOU’s. In addition, a tracking system must be developed and implemented in order to ensure better organization of dual credit rosters and student progress in dual credit courses. The tracking system must be submitted for approval to the State by July 1, 2018.

FINDING 3:

Per the State’s *Work-Based Learning Guidelines*, students are required to take Preparing for College and Careers and a minimum of 4 credits in a logical sequence of courses related to the student's career pathway and the worksite placement as prerequisites to enrolling in Interdisciplinary Cooperative Education courses (ICE). Thirty-seven (37) of the fifty (50) students enrolled in ICE for 2017-18 had not completed these prerequisite courses. At least six (6) of these students had not even taken one prerequisite CTE course.

In addition, a review of student transcripts revealed that forty-two (42) of the fifty (50) students enrolled in ICE were reported as attending ICE classes-and received grades for doing so. However, the aforementioned forty-two (42) students did not actually attend the classes. Likewise, these same students were reported as being present at the worksites associated with the ICE program, but there was no evidence of their actually being at the worksite. There was also no documentation showing that anyone at the Career Center or the school corporations in which these students were enrolled, had verified these students were attending class or participating at their worksites.

According to IC 20-33-2-19, Section 29(a), compulsory attendance, it is unlawful for a person operating or responsible for an educational institution or training school to fail to ensure a child under the responsible person's authority attends school as required under this chapter.

CORRECTIVE ACTION 3A:

The district CTE Director must ensure the proper training for all teachers who teach Work-Based Learning (WBL) courses is provided prior to the teacher being assigned to such classes. This training can be provided by the Department of Workforce Development and/or the Indiana Department of Education. This training must be completed by August 1, 2018. Evidence of completion and accurate attendance must be provided to the State by August 1, 2018 as well. Any teachers hired after that date, who are assigned to WBL classes, must also be trained with evidence of training provided to the State upon completion.

CORRECTIVE ACTION 3B:

Beginning with the 2018-19 academic year, the district CTE Director must follow class component requirements for ICE and WBL courses. Require parent/guardian, WBL provider, and supervising instructor to sign training plan prior to the student attending the WBL experience. Do not allow students to attend WBL opportunities without a completed and signed training plan on file. If students cannot produce a completed signed training plan, documented hours of WBL will be required from the employer in order to award credit for the course. The district CTE Director is to submit to the State signed verification by the employer that each student enrolled in ICE and/or WBL courses has a signed training plan and the appropriate documentation of hours a student has worked on the 1st of each month during the 2018-19 academic year.

CORRECTIVE ACTION 3C:

Immediately cease enrolling students in ICE who have not completed all prerequisites.

CORRECTIVE ACTION 3D:

The district CTE Director and the participating schools shall develop procedures to ensure the students enrolled in ICE are attending the classes and the jobs to which they are assigned. These procedures must be submitted to the State for approval no later than August 1, 2018.

CORRECTIVE ACTION 3E:

The Career Center and the participating schools shall immediately cease awarding grades to any student who has not earned grades through meeting class requirements, including attendance.

FINDING 4:

Per 511 IAC 6.1-5-4.5, only approved course titles, along with approved non-standard course waivers, may be offered for high school credit in order to meet the graduation requirements established by the Indiana State Board of Education under 511 IAC 6-7 and 511 IAC 6-7.1. Despite this requirement, the district CTE Director, with the superintendents' approval reported, requested, and received 30A funding for two (2) unapproved courses, which were offered for five (5) sessions. However, non-approved courses were taught in place of the approved courses.

This resulted in funding being provided to which the Career Center and the participating schools were not entitled.

CORRECTIVE ACTION 4A:

As a result of submitting false reports, the school corporations received 30A funding for courses which were not approved. All funding that was inappropriately requested and received must be reimbursed to the State. The amount of \$41,400.00 must be reimbursed to the State. The State will consult with the participating school corporations to develop a plan for reimbursement of this amount.

CORRECTIVE ACTION 4B:

The district CTE Director and the participating school corporations are directed to provide accurate and truthful reporting to the State.

FINDING 5:

Recipients of the Perkins grant are required to have an Advisory Board for each program. These boards must meet at least twice a year. According to the Perkins Act IV, Section 135, the function of the advisory boards is "to involve parents, businesses, and labor organizations as appropriate, in the design, implementation, and evaluation of career and technical education programs authorized under this title, including establishing effective programs and procedures to enable informed and effective participation in such programs." There was no evidence of the existence of any required Advisory Boards for the Career Center.

CORRECTIVE ACTION 5:

The district CTE Director and the participating school corporations must provide the State with the names of those who will be serving on each program's Advisory Board. These names must be provided by August 1, 2018. These Boards must meet at least twice during the 2018-19 school year and every year thereafter. Evidence of these meeting must be submitted to the State within seven days of such meeting.

FINDING 6:

Crowe Horwath determined there were not sufficient or effective internal controls to ensure only allowable costs were paid with Perkins Grant dollars. The only internal control consisted of the treasurer of the Career Center being told by the Director of the Career Center all payments were to be approved by him. The Director of the Career Center did not follow the procurement and purchase requirements of the Perkins Grant.

CORRECTIVE ACTION 6:

The district CTE Director must seek the State's approval in advance of any expenditures being charged to the 2018-19 Carl D. Perkins Federal Award. In addition, compliant internal control procedures must be developed by the Career Center and submitted to the State by August 1, 2018. Thereafter, the approved procedures must be followed by the Career Center and participating school corporations.

FINDING 7:

Using a random selection process of invoices, Crowe Horwath found that the following expenditures were outside of the scope of expenditures that may be charged to the Federal Carl D. Perkins award:

- A conference took place in Lafayette, Indiana and the employee was reimbursed for lodging expenses of \$105 a night for twelve nights. An employee was reimbursed for lodging expenses that exceeded the limits set by the State. The State limits indicate that lodging expenses up to \$97 a night in the Indianapolis area are eligible for reimbursement and \$89 a night elsewhere in the state. No documentation was provided to indicate the state rate was unavailable.
- An expenditure of \$2,122.82 for computer gaming equipment; this expenditure is outside of the scope of allowable Perkins expenditures.
- \$600 for yearbooks.
 - Viewed invoice for \$600 (no invoice #) – 60 NLCC yearbooks –The Treasurer stated that she had asked the Director about this at the time of the purchase as it seemed odd to her, but he indicated it was ok as it pertained to advertisement for the Career Center.

CORRECTIVE ACTION 7A:

For items outlined in Finding 7, the State requires the amount of \$2,914.82 to be reimbursed to the State. This amount must come from a non-federal source. This amount must be paid to the State within 30 days.

CORRECTIVE ACTION 7B:

No later than June 30, 2018, the Career Center must submit to the State written policies demonstrating compliance with the standards for financial and program management as described in the Federal Code of Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subparts D and E:

§200.303 Internal controls

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

§200.403 Factors affecting allowability of costs

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP)
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

FINDING 8:

Crowe Horwath was unable to locate equipment purchased with Carl D. Perkins federal grant money. A random selection of equipment purchases was tested. An equipment inventory failed to include all of the Property Standards found in CFR §200.313; e.g., source, entity or person holding the title, percentage of federal participation, condition, and disposition data.

Additionally,

- Three of the four items tested above could not be located in the location listed on the inventory report.
- Not all pieces of equipment on the inventory listing contained the required serial number.

CORRECTIVE ACTION 8A:

Career Center personnel must locate any equipment purchases and tag them according to CFR guidelines. An updated equipment inventory reflecting purchases made with Carl D. Perkins federal dollars for 2016-17 and 2017-18 must be submitted to the State no later than July 1, 2018. The State will direct Crowe Horwath to conduct a complete inventory of every item of equipment listed or paid for with Carl D. Perkins grant for the 2016-17 and 2017-18 years. The LEA will be responsible for reimbursing the State for all costs associated with this review by Crowe Horwath.

CORRECTIVE ACTION 8B:

The Career Center is required to reimburse to the State all Perkins funds used for purchases for the 2016-17 and 2017-18 academic year which cannot be located. The amount of federal funds to be reimbursed to the State must come from a non-federal source. This amount must be returned to the State within 30 days of the Career Center being notified of the amount. The Career Center is required to provide the State on a monthly basis a list of all items purchased using Perkins Grant money with documentation indicating the item actually exists. The State reserves the right to enter into the Career Center at any time, announced or unannounced, to verify the location and



Dr. Jennifer McCormick
Superintendent of Public Instruction

DEPARTMENT OF EDUCATION

Working Together for Student Success

condition of any item purchased with the Carl D. Perkins federal award and to view the appropriate supporting documentation.

CONCLUDING STATEMENT:

The ongoing monitoring will continue until all corrective actions have been completed and the State is satisfied further monitoring is no longer required. The Career Center and participating school corporations in CTE Area District 40 are directed to cooperate fully with the State and any State agents.