

B54446

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

SPECIAL INVESTIGATION REPORT
OF

INDIANA VIRTUAL EDUCATION FOUNDATION, INC.
D/B/A
INDIANA VIRTUAL SCHOOL AND
INDIANA VIRTUAL PATHWAYS ACADEMY
MARION COUNTY, INDIANA

July 1, 2011 to June 30, 2019



FILED
02/12/2020

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TO: THE OFFICIALS OF INDIANA VIRTUAL EDUCATION FOUNDATION, INC. D/B/A INDIANA VIRTUAL SCHOOL AND INDIANA PATHWAYS ACADEMY, MARION COUNTY, INDIANA

This is a special investigation report for Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School and Indiana Virtual Pathways Academy for the period July 1, 2011 to June 30, 2019, and is in addition to any other report for the charter schools as required under Indiana Code 5-11-1. All reports pertaining to Indiana Virtual Education Foundation, Inc., may be found at www.in.gov/sboa/.

We performed procedures to determine compliance with applicable Indiana laws, federal laws, and uniform compliance guidelines established by the Indiana State Board of Accounts. 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. In addition, our tests were performed with the examination objective of finding any actual or suspected malfeasance, misfeasance, or nonfeasance.

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

January 29, 2020

This special investigation report provides examination positions and determinations made by the Indiana State Board of Accounts (SBOA) regarding Indiana Virtual School (IVS) and Indiana Virtual Pathways Academy (IVPA). This report details SBOA's examination conclusions that public funds were misappropriated through malfeasance, misfeasance, and/or nonfeasance in instances where our evidence revealed the following: (1) both virtual schools inappropriately received more than \$68.7M collectively, from the State of Indiana based on misrepresentations regarding the number of enrolled and attending students; and (2) both virtual schools inappropriately disbursed more than \$85.76M collectively, in public funds to vendors in situations where there was no invoice or no itemized information on the invoice, and a related party was involved.

BACKGROUND

Business Consulting, Inc. (BCI) is a non-profit domestic corporation incorporated under the laws of the State of Indiana. BCI operated public charter school IVS, established under Indiana Code 20-24.

On June 6, 2011, Daleville Community Schools (Daleville) and BCI entered into a Charter School Agreement (2011 Agreement) granting a charter to IVS. The 2011 Agreement named Daleville as the Sponsor (Authorizer) and BCI as the Organizer of IVS.

On July 22, 2015, Daleville and BCI entered into a Charter School Agreement (2015 Agreement) granting a charter to IVS, effective July 22, 2015 through August 14, 2020. Both the 2011 and 2015 Agreement provided that BCI would operate and maintain IVS in compliance with relevant laws.

On December 31, 2015, Indiana Virtual Education Foundation, Inc. (IVEF) purchased the assets of BCI. IVEF is a non-profit domestic corporation incorporated under the laws of the State of Indiana. IVEF operated IVS and Indiana Virtual Pathways Academy (IVPA), established under Indiana Code 20-24.

On August 7, 2017, Daleville and IVEF entered into a Charter School Agreement (2017 Agreement), granting a separate charter to IVPA. The 2017 Agreement named Daleville as the Sponsor (Authorizer) and IVEF as the Organizer of IVPA. This Agreement further provided that IVEF would operate and maintain IVPA in compliance with all relevant laws and rules.

As the Authorizer, Daleville is charged with certain oversight responsibilities, including the statutory duty to ensure the virtual schools comply with federal and state law, pursuant to Indiana Code 20-24-8-3 and ensuring the virtual schools complied with the respective charters.

Daleville became aware of irregularities in the student enrollment. SBOA was notified by Daleville in accordance with Indiana Code 5-11-1-27. On August 26, 2019, Daleville adopted a Resolution to revoke the charters of IVS and IVPA.

Examiners' Responsibilities

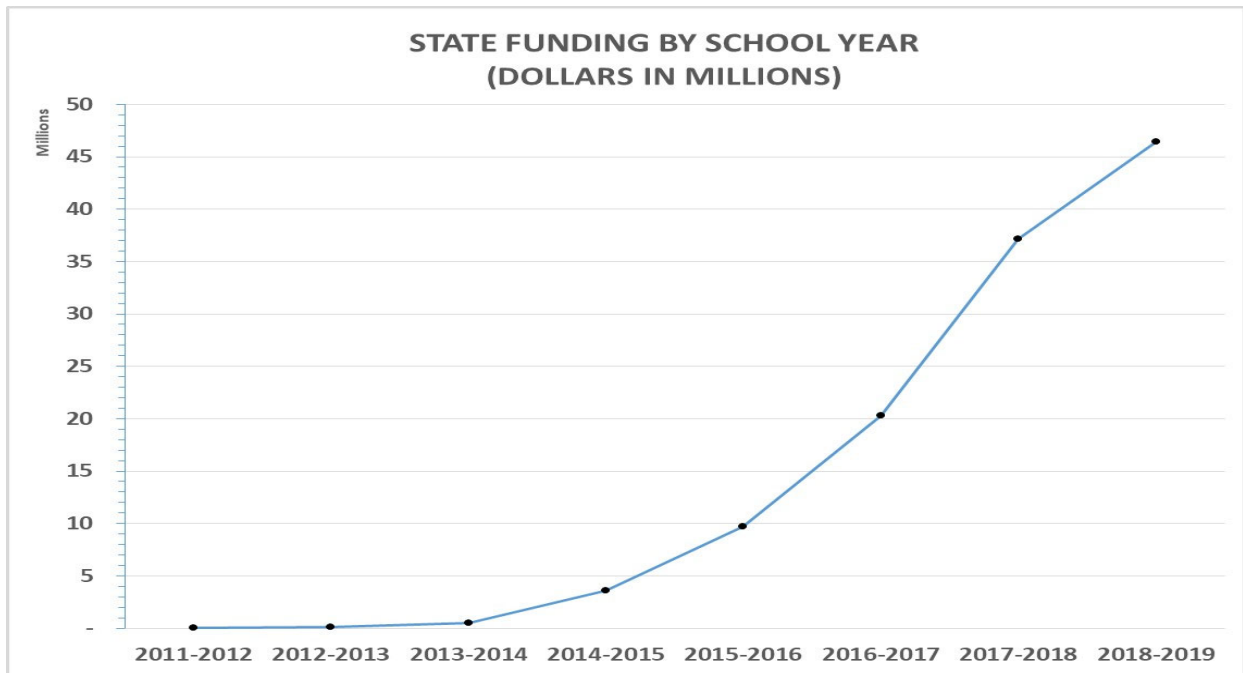
This special investigation report is not a financial audit or compliance engagement, of which objectives would largely differ. By contrast, SBOA conducted this special investigation and examined accounts and records, and reviewed documentation on student enrollment and vendor payments, with the examination objective of finding any actual or suspected malfeasance, misfeasance, or nonfeasance. In addition, Indiana law requires we perform our special investigation in order to determine all material variances, losses, shortages, or thefts of public funds, and to obtain sufficient and appropriate evidence providing a reasonable basis for our findings and conclusions based on our examination objectives and for purposes consistent with Indiana Code 5-11-1-27(j) and Indiana Code 5-11-5-1. Accordingly, the following describes noncompliance with statutes and the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.

STATE FUNDING RECEIVED AND DISBURSED

Related-party expenditures for school years 2016-2017 through 2018-2019 totaled \$85,687,698.60; eighty-three percent (83%) of all state funding was disbursed to related parties.

	<u>State Funding by School Year</u>	<u>Related Party Expenditures by School Year</u>	<u>Related Party Expenditures as a percentage of State Funding</u>
2016-2017	\$ 20,301,290.74	\$ 16,080,100.79	79%
2017-2018	37,119,396.99	31,608,180.52	85%
2018-2019	<u>46,407,799.31</u>	<u>37,999,417.29</u>	82%
Totals	<u>\$ 103,828,487.04</u>	<u>\$ 85,687,698.60</u>	83%

Related-party vendors AlphaCom, LLC, Cyber Educational Services, LLC, Eightbit Designs, LLC doing business as Bitloft, LLC, and American Pathways Academy, LLC, received payments based on percentages of revenues from state funding and fees charged for each student enrolled. Therefore, as revenues from state funding increased, including overpayments for ineligible students, amounts paid to these vendors also increased.



Eighty-nine percent (89%) of related-party vendor payments were disbursed from IVEF to the relevant vendor on the same day funding was received from the state.

RESPONSIBLE OFFICERS AND PERSONNEL

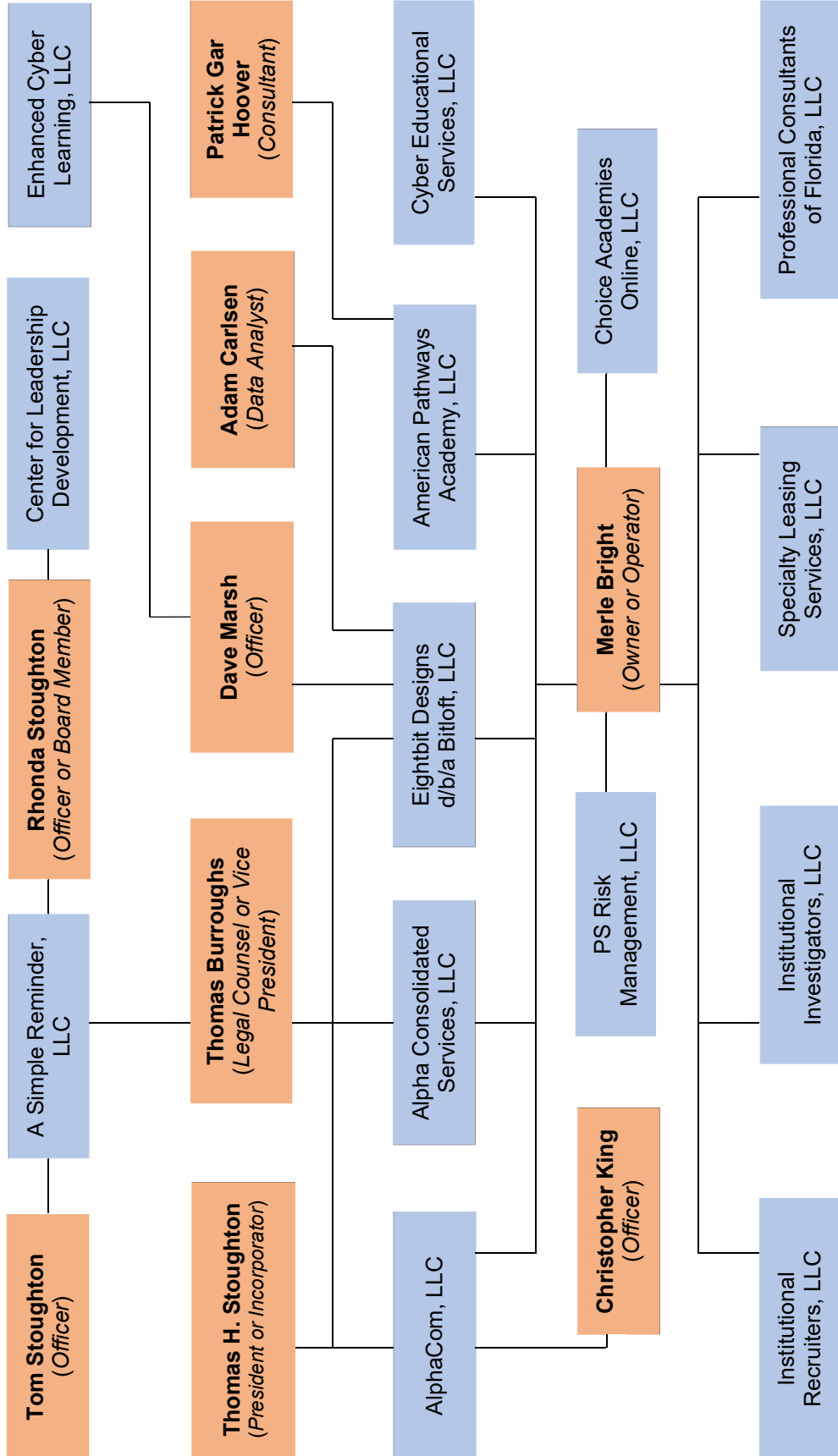
The Board of Directors and officers for IVS and IVPA were as follows:

	IVS		IVPA	
	Start Date	Resignation Date	Start Date	Resignation Date
Thomas H. Stoughton	07-01-11	10-18-17	09-20-17	10-18-17
Fred W. Ellis	09-10-13	04-11-19	09-20-17	04-11-19
Thomas Krudy	03-18-15	*	09-20-17	08-24-18
James E. Tilford	07-01-11	03-18-17	N/A	N/A
Patrick Gar Hoover	03-18-15	09-21-16	N/A	N/A
Thomas Burroughs	06-17-14	07-19-17	N/A	N/A
Christopher King	07-01-11	03-18-15	N/A	N/A
Sue Richardson	07-01-11	03-18-15	N/A	N/A
Jeff Sparks	07-01-11	11-19-13	N/A	N/A
Linda Chezem	11-10-11	10-08-13	N/A	N/A
Ed Valdetaro (1)	08-17-16	07-18-18	09-20-17	*
Sam Manghelli	08-16-17	*	11-15-17	08-24-18
Lou Moonshower	07-01-11	07-10-12	N/A	N/A
Lou Moonshower	08-16-17	05-02-19	09-20-17	05-02-19
Mitch Smith	N/A	N/A	07-18-18	*
Dave Milligan	N/A	N/A	07-18-18	*
Allan Sutherlin (2)	N/A	N/A	N/A	N/A
President of the Board of Directors:				
Thomas H. Stoughton	07-01-11	10-18-17	09-20-17	10-18-17
Lou Moonshower	10-18-17	05-02-19	10-18-17	05-02-19
Unknown	05-02-19	09-30-19	05-02-19	09-30-19
Treasurer:				
Lou Moonshower	07-01-11	06-30-12	N/A	N/A
James E. Tilford	07-01-12	03-18-17	N/A	N/A
Fred W. Ellis	04-19-17	04-11-19	09-20-17	04-11-19
Phillip Holden	05-02-19	07-18-19	05-02-19	07-18-19
Unknown	07-18-19	09-30-19	07-18-19	09-30-19

- * No documentation of resignation prior to 06-30-19.
- (1) There is no documentation that Valdetaro was appointed as a Board member until 08-17-16; however, he is noted as a Board member and voted at the 02-17-16, 03-16-16 and 04-04-16 and 04-20-16 meetings.
- (2) There is no documentation that Sutherlin was appointed as a Board member; however, he is noted as a Board member and voted at the 03-16-16 and 04-04-16 meetings.

The diagram on the next page shows affiliations between certain deemed responsible officers and personnel, and certain related vendors, which contracted to provide education services to the virtual schools during the examination period:
(See next page)

AFFILIATIONS BETWEEN INDIVIDUALS AND RELATED VENDORS



This diagram is meant for guidance only and does not constitute all affiliations between responsible officers and personnel, and related vendors.

The following chart details individuals serving in positions of financial responsibility and/or authority:

Individuals Who Signed Checks			
Individual	Period Signed	Check Numbers	Bank
Thomas H. Stoughton	05-16-16 - 11-28-17	170-1068	National Bank of Indianapolis
Thomas H. Stoughton	11-15-17 - 12-19-17	1002-1067	Fifth Third Bank
Merle Bright	06-15-18 - 08-17-18	1071-1229	National Bank of Indianapolis
Fred W. Ellis	06-15-18 - 04-30-19	1069-2039	National Bank of Indianapolis
Fred W. Ellis	11-24-17 - 03-01-19	1005-1480	Fifth Third Bank
Phillip Holden	05-06-19 - 06-24-19	2076-2327	National Bank of Indianapolis

Thomas H. Stoughton

From July 1, 2011 to October 18, 2017, Thomas H. Stoughton served as President of the IVS Board of Directors. From September 20, 2017 to October 18, 2017, Stoughton served as President of the IVPA Board of Directors. As stated in IVEF's Bylaws, Stoughton's duties as President included serving as Chief Executive Officer, presiding over all meetings of the Board, performing the customary duties generally associated with a corporation chairperson, as well as being empowered to sign all written contracts on behalf of IVEF.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

From July 1, 2011 to June 30, 2016, Stoughton served as the Director of Schools for IVS. As part of his duties as IVS Director of Schools (Director), Stoughton was responsible for posting transactions in the accounting system, approving payments, writing and distributing checks, and preparing and making deposits. In addition, at a June 28, 2011 IVS Board meeting, Stoughton was named "CEO/COO."

Stoughton was an authorized signor on the bank of accounts of IVEF, and continued to sign checks after his resignation from the Board of Directors for IVS and IVPA, effective October 18, 2017.

Stoughton was also an Incorporator and President of AlphaCom, LLC (AlphaCom) in 2012 and 2013. AlphaCom is a limited liability corporation that received payment for providing educational services to IVS and IVPA. *(See Disbursement Deficiencies comment)*

Merle Bright

Merle Bright was either the owner or an officer of multiple corporations that received contract payments for providing educational services to IVS and IVPA during the examination period, including AlphaCom, Alpha Consolidated Services, LLC (Alpha Consolidated), Eightbit Designs, LLC doing business as Bitloft (Eightbit), American Pathways Academy, LLC (American Pathways Academy) Institutional Investigators, LLC (Institutional Investigators), Institutional Recruiters, LLC (Institutional Recruiters), Specialty Leasing Services, LLC (Specialty Leasing), PS Risk Management, LLC (PS Risk Management), Professional Consultants of Florida, LLC (Professional Consultants), Cyber Educational Services, LLC (Cyber Educational Services), and Choice Academies Online, LLC (Choice Academies). *(See Disbursement Deficiencies comment)*

Although Merle Bright was never on any virtual schools' Board of Directors or formally designated as Treasurer of either virtual school, he became an authorized signor on an IVEF bank account beginning September 13, 2016. Merle Bright signed IVEF checks during the period June 15, 2018 to August 17, 2018. Merle Bright was replaced with new signors for the account on June 18, 2018; however, he continued to sign checks written from the account for two more months. IVEF checks signed by Merle Bright in excess of \$6.8 Million were to companies of which he was a related party.

Merle Bright was the contact person for another IVEF bank account. Merle Bright was not an authorized signor on this account; however, he was the individual who made contact with the bank and was given information regarding the account. Merle Bright never had an official responsibility for IVS or IVPA that would have justified him having access to information for this IVEF bank account. In contrast, the Assistant Treasurer of both IVS and IVPA, Phillip Holden, was denied access to information regarding this bank account during his tenure.

Merle Bright is related to Greg Bright, identified below.

Greg Bright

From July 1, 2016 to January 2019, Greg Bright was the contracted Business Financial Manager/ CFO for IVEF. In this capacity, Greg Bright's duties included maintaining accounting records, establishing and maintaining an internal control system, updating and reporting the annual budget, performing all accounts payable functions (including ACH payments), financial consultation, preparing 1099 and 1096 tax forms, and financial statement audit assistance.

Greg Bright was also owner and President of Pay Pros, LLC doing business as Bright Financial Services, LLC (Bright Financial), a company that received unsubstantiated ACH payments from IVEF during the examination period. *(See Disbursement Deficiencies comment)*

Greg Bright is related to Merle Bright, identified above.

Thomas Burroughs

From June 17, 2014 to July 19, 2017, Thomas Burroughs served as a member on the IVS Board of Directors.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

During the examination period, Burroughs was legal counsel for IVEF and the following vendors that received payment for providing educational services to IVS and IVPA: AlphaCom, Eightbit, and A Simple Reminder, LLC (A Simple Reminder). Burroughs was also Vice President of Alpha Consolidated, a vendor that provided educational services to IVS and IVPA. *(See Disbursement Deficiencies comment)*

Christopher King

From July 1, 2011 to March 18, 2015, Christopher King served as Board member for the IVS Board of Directors.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

During the examination period, both during and after his term as an IVS Board member, King was also an officer for AlphaCom, a contracted vendor that received payments for providing educational services to IVS and IVPA. (*See Disbursement Deficiencies comment*)

As an officer of AlphaCom, King was the Manager of School Operations, and his duties included the following: directing student service representatives, overseeing the enrollment process and state compliance, and reporting enrollment updates to the IVS Board of Directors.

David Stashevsky

From July 1, 2011 to June 30, 2012, David Stashevsky served as Superintendent for IVS, which was the Chief Administrative Officer of the school. As IVS Superintendent, he was responsible for overseeing school affairs, and for certifying the truthfulness and accuracy of the Average Daily Membership (ADM) count, as reported to IDOE. Additionally, the Superintendent was responsible for certifying the accuracy and truthfulness of the curricular materials claims.

Graham Clark

From July 1, 2012 to December 17, 2013, Graham Clark served as Superintendent for IVS, which was the Chief Administrative Officer of the school. As IVS Superintendent, he was responsible for overseeing school affairs, and for certifying the truthfulness and accuracy of the ADM count, as reported to IDOE. Additionally, the Superintendent was responsible for certifying the accuracy and truthfulness of the curricular materials claims.

Percy Clark

From February 11, 2014 to September 20, 2019, Percy Clark (Clark) served as IVS Superintendent. Clark served as IVPA Superintendent from July 1, 2017 to September 20, 2019. The Superintendent is the Chief Administrative Officer of the school. As Superintendent for both IVS and IVPA, he was responsible for overseeing school affairs, and for certifying the truthfulness and accuracy of the ADM count, as reported to IDOE. Additionally, the Superintendent was responsible for certifying the accuracy and truthfulness of the curricular materials claims.

Lou Moonshower

From July 1, 2011 to July 10, 2012, and August 16, 2017 to May 2, 2019, Lou Moonshower (Moonshower) served as a Board member on the IVS Board of Directors. From September 20, 2017 to May 2, 2019, Moonshower served as a Board member on the IVPA Board of Directors. From July 1, 2011 to June 30, 2012, he served as IVS Treasurer. From October 18, 2017 to May 2, 2019, he served as President for both the IVS and IVPA Board of Directors.

As stated in IVEF's Bylaws, Moonshower's duties as President included serving as Chief Executive Officer, presiding over all meetings of the Board, performing the customary duties generally associated with a corporation chairperson, as well as being empowered to sign all written contracts on behalf of IVEF.

As stated in IVEF's Bylaws, the Treasurer's duties included having charge and custody of all funds and securities of IVEF, depositing funds, "keeping or causing to be kept complete and correct records of account, exhibit the records at reasonable times and on request to any officer or director," rendering a statement of the financial condition of IVEF on request at any Board meeting, preparing and submitting a full financial report of the operations of IVEF for the preceding fiscal year for each annual Board meeting, and causing to be prepared and filed any report or returns required by the United States Internal Revenue Service (IRS) and other taxing authorities. Additionally, IVEF's Bylaws required the Treasurer to perform all duties prescribed by the Bylaws or assigned by the Board.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

James E. Tilford (Deceased)

From July 1, 2012 to March 18, 2017, James E. Tilford served as both an IVS Board member and IVS Treasurer.

As stated in IVEF's Bylaws, the Treasurer's duties included having charge and custody of all funds and securities of IVEF, depositing funds, "keeping or causing to be kept complete and correct records of account, exhibit the records at reasonable times and on request to any officer or director," rendering a statement of the financial condition of IVEF on request at any Board meeting, preparing and submitting a full financial report of the operations of IVEF for the preceding fiscal year for each annual Board meeting, and causing to be prepared and filed any report or returns required by the IRS and other taxing authorities. Additionally, IVEF's Bylaws required the Treasurer to perform all duties prescribed by the Bylaws or assigned by the Board.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

Fred W. Ellis (Deceased)

From September 10, 2013 to April 11, 2019, Fred W. Ellis (Ellis) served as a Board member on the IVS Board of Directors. From September 20, 2017 to April 11, 2019, Ellis served as a Board member on the IVPA Board of Directors. From April 19, 2017 to April 11, 2019, he served as Treasurer on the IVS Board of Directors. From September 20, 2017 to April 11, 2019, he served as IVPA Treasurer.

As stated in IVEF's Bylaws, the Treasurer's duties included having charge and custody of all funds and securities of IVEF, depositing funds, keeping or causing to be kept complete and correct records of account, exhibit the records at reasonable times and on request, to any officer or director, rendering a statement of the financial condition of IVEF on request at any meeting of the Board, preparing and submitting a full financial report of the operations of IVEF for the preceding fiscal year for each annual meeting of the board, causing to be prepared and filed any report or returns required by the IRS and other taxing authorities. Additionally, the Bylaws required the Treasurer to perform all duties prescribed by the Bylaws or assigned by the Board.

Phillip Holden

From May 18, 2016 through July 18, 2019, Phillip Holden (Holden) served as Administrative Director for IVS. From July 1, 2017 to July 18, 2019, Holden served as Administrative Director for IVPA. In his capacity as Administrative Director, Holden's duties included overseeing the day-to-day operations of the schools and ensuring compliance with state laws and regulations. Holden received vendor invoices, prepared purchase orders and accounts payable vouchers, and prepared disbursement packets. The Administrative Director was also responsible for certifying the truthfulness and accuracy of the ADM count as reported to IDOE, and for certifying the accuracy and truthfulness of the curricular materials claims.

From May 2, 2019 through July 18, 2019, Holden served as Assistant Treasurer for both IVS and IVPA. Holden's duties included performing all accounts payable functions, including verifying that vendor payment requests were for legitimate school purposes and signing checks.

Dave Marsh

Dave Marsh was an officer of multiple corporations that received contract payments from IVS and IVPA during the examination period, including the following: Enhanced Cyber Learning, LLC (ECL), Eightbit, and American Pathways Academy. *(See Disbursement Deficiencies comment)*

Thomas (Tom) Stoughton

Tom Stoughton, son of Thomas H. Stoughton, was an officer of A Simple Reminder, a vendor that received payment for providing educational services to IVS and IVPA during the examination period. *(See Disbursement Deficiencies comment)*

Rhonda Stoughton

Rhonda Stoughton, spouse of Thomas H. Stoughton, was an officer of A Simple Reminder, a vendor that received payment for providing educational services to IVS and IVPA during the examination period. Rhonda was also a Board member on the Board of Directors for the Center for Leadership Development, LLC (Center for Leadership), a vendor that received payment for providing educational services to IVS and IVPA during the examination period. *(See Disbursement Deficiencies comment)*

Lora Feeser

From October 19, 2016 to June 30, 2019, Lora Feeser served as Principal for both IVS and IVPA. The Principal oversees the operations of the schools. As, Principal, Feeser's duties included verifying and signing the supporting documentation of enrollment and attendance information by grade and school, which was used in the ADM report filing.

Travis Lynch

During the examination period, Travis Lynch was the Head of Information Technology for both IVS and IVPA. As Head of Information Technology, Lynch had full administrative access to the computer systems for IVS and IVPA. Lynch prepared student data for submission to IDOE and signed as preparer on the curricular materials claims.

Adam Carlsen

During the examination period, Adam Carlsen was employed as a data analyst for Eightbit. Carlsen prepared student data for submission on behalf of IVS and IVPA to IDOE. Carlsen signed as preparer on the curricular materials claims.

Patrick Gar Hoover

From March 18, 2015 to September 21, 2016, Patrick Gar Hoover served as a member on the IVS Board of Directors.

Based on documentation presented, Board member duties included fixing compensation of vendors and contractors; approving employment contracts; adopting the annual budget; acquiring, constructing, and leasing real and/or personal property necessary for school purposes; approving contracts; and adopting all policies.

During the examination period, Hoover was also a Consultant at American Pathways Academy and a teacher at the virtual schools.

ADMINISTRATION OF STUDENT ENROLLMENT REPORTING AND STATE TUITION SUPPORT DISTRIBUTION PROGRAMS

Indiana Code 20-39-2-1(a) provides: "The state superintendent shall exercise the supervision over school funds and revenues that is necessary to ascertain their safety, secure their preservation, and secure their application to the proper object."

511 Indiana Administrative Code 1-3-2(a) provides: "School corporations shall annually submit all reports for state support in accordance with the schedule established by IDOE. These reports shall be certified to IDOE by the superintendent or chief administrative official of the school corporation."

OVERPAYMENT OF TUITION SUPPORT

Both IVS and IVPA were required to submit a Report of Average Daily Membership (ADM) to IDOE twice per year, in September and February, with the exception of February 2012, when IDOE did not require the February count. The September ADM Reports for the school years 2011-2012, 2012-2013, 2017-2018, and 2018-2019, were required by IDOE to calculate the tuition support payments due to the schools for those years. For the school years 2013-2014, 2014-2015, 2015-2016, and 2016-2017, both the September and February ADM Reports were used by IDOE to calculate the tuition support payments due to the schools.

Individuals who signed 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.

The reports were signed and verified by the following individuals for the student count dates listed:

Student Count Date	Signatory as Superintendent, Principal, or Director of Schools	Signatory as Trustee or Corporate Treasurer
September 16, 2011	No signatory	No signatory
February, 2012	Not required by IDOE	Not required by IDOE
September 14, 2012	Thomas H. Stoughton	James E. Tilford
February 15, 2013	Thomas H. Stoughton	James E. Tilford
September 13, 2013	Thomas H. Stoughton	James E. Tilford
February 3, 2014	Thomas H. Stoughton	No signatory
September 12, 2014	Percy Clark	Thomas H. Stoughton
February 2, 2015	No signatory	Thomas H. Stoughton*
September 18, 2015	No signatory	No signatory
February 1, 2016	Phillip Holden	No signatory
September 16, 2016	No signatory	No signatory
February 1, 2017	Percy Clark	James E. Tilford
September 15, 2017	Percy Clark	Fred W. Ellis
February 1, 2018	Percy Clark	Fred W. Ellis
September 14, 2018	Percy Clark	Fred W. Ellis
February 1, 2019	Percy Clark	Fred W. Ellis

*Signature was submitted without designation of signatory.

Pursuant to Indiana Code 20-43-4-1(a) and 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]."

Ineligibility for 2011-2012 through 2017-2018 School Years

To achieve our examination objectives, we performed tests of data made available by the virtual schools on their online learning vendors for the past eight school years. 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. In our examination position, a more restrictive methodology could have been used and in other circumstances may be appropriate for usage. Based on our more liberal methodology, it is our examination position that the ADM data for both IVS and IVPA was substantially misreported.

For the 2011-2012, 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, and 2017-2018 school years, IVS and IVPA did not have a Student Engagement Policy or any other documented policy for determining whether a student was enrolled, attending, or should be considered an eligible pupil for purposes of ADM reporting. We reviewed online learning vendor log-in records and removed all student ID numbers that had zero online activity from July 1 to September 30. If a student had not logged in at all during that three-month period, we determined that he or she did not meet eligibility requirements and should not have been included in the September ADM count. For the February count dates in the 2013-2014, 2014-2015, 2015-2016 and 2016-2017 school years, we reviewed online learning vendor

log-in records and removed all student ID numbers that had zero online activity from December 1 through the end of February. If a student had not logged in at all during that period, we determined that he or she did not meet eligibility requirements and should not have been included in the February ADM count.

Our examination procedures also included review of data reported by the schools to IDOE regarding course completions by students. In 4,706 instances where students deemed ineligible were improperly included in the reports during the above seven school years, these students had zero course completions. In addition, we discovered 3,811 additional instances where ineligible students improperly included on the reports for this time frame had one or more course completions. However, this finding did not modify our ineligibility determinations because a) course completion is not the standard for whether an individual should be reported as a student for ADM purposes, b) courses could be completed later in the school year if the student enrolls after the count date, and c) multiple interviews with students within this population confirmed they never took or completed any courses through IVS or IVPA during the years in question, casting considerable doubt on the validity of the self-reported and unaudited course completion data.

Based on the examination and investigation procedures performed, we determined responsible officers and personnel for IVS and IVPA: enrolled students that had not expressed any intention to enroll; re-enrolled students that had been withdrawn for lack of participation and also had not subsequently indicated any intention to re-enroll; listed students on enrollment reports that did nothing beyond requesting information from the schools' website; continued to enroll students who had dis-enrolled or had moved out of state; continued to enroll students who were beyond applicable eligibility ages; failed to remove a student who had been deceased prior to the ADM report to the state for the 2016-2017 school year and included the deceased student again for the 2017-2018 school year; failed to follow its own policies; and directed student services representatives to enroll students when objective criteria would not have supported them being characterized as attending, eligible pupils, or enrolled.

Consequently, our examination position is that the overall conclusions in this Report demonstrate a substantial disregard for compliance obligations and reporting requirements, and may indicate responsible officers and personnel for IVS and IVPA focused on maximizing profits and revenues by exploiting perceived vulnerabilities in the Authorizer's oversight and state reporting and tuition support disbursement processes.

Below is a schedule of ineligible student counts and the corresponding tuition support overpaid by year, broken down among the no online activity and no course completion subcategory, and the no online activity but some course completion listing subcategory:

School Year	Students With No Online Activity, No Course Completion	Overpaid Tuition Support	Students With No Online Activity, Some Course Completion	Overpaid Tuition Support	Totals
2011-2012 (September)	3	\$ 11,235.00	1	\$ 3,745.00	\$ 14,980.00
2012-2013 (September)	3	5,781.57	1	1,927.19	7,708.76
2013-2014 (September)	19	39,064.95	6	12,336.30	51,401.25
2013-2014 (February)	4	8,224.20	-	-	8,224.20
2014-2015 (September)	13	26,833.95	402	829,788.30	856,622.25
2014-2015 (February)	42	86,694.30	367	757,543.05	844,237.35
2015-2016 (September)	173	386,680.95	476	1,063,931.40	1,450,612.35
2015-2016 (February)	155	346,448.25	601	1,343,325.15	1,689,773.40
2016-2017 (September)	654	1,497,398.40	692	1,584,403.20	3,081,801.60
2016-2017 (February)	554	1,268,438.40	1,080	2,472,768.00	3,741,206.40
2017-2018 (September)	3,086	14,645,230.20	185	877,954.50	15,523,184.70
Totals	4,706	\$ 18,322,030.17	3,811	\$ 8,947,722.09	\$ 27,269,752.26

Ineligibility for 2018-2019 School Year

In 2017, Indiana Code 20-24-7-13 was amended to provide, in relevant part, as follows: "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."

Both IVS and IVPA adopted a Student Engagement Policy in November 2017, effective the 2018-2019 school year. The Student Engagement Policy provides that students are expected to be "Logging into classes on a daily/weekly basis. The expectation is that students will submit/complete assignments a minimum of three times per week. A student who has not logged in and accessed their classes is considered **not engaged**, or truant for that week." This Policy also states that IVS and IVPA "[w]ill alert students and parents directly when a student has been identified as 'Not Engaged' for a week . . . Any student reported as Not Engaged for twenty consecutive school days will be notified to contact the school. If the student/parent does not contact the school within seven days, **the student will be withdrawn from the school . . .**"

Additionally, under the above Policy, students without any log in activity and no classes accessed during specified time frames, were to be withdrawn prior to the ADM count date for that year. Both IVS and IVPA failed to follow their own Policy during the 2018-2019 school year. A total amount of 5,694 students should not have been included in the ADM count for tuition support purposes during this school year, having not logged in at least 30 days prior to the ADM count date.

Below is a schedule of ineligible student counts and the corresponding tuition support overpaid, broken down among the no online activity and no course completion subcategory, and the no online activity but some course completion listing subcategory:

School Year	Students With No Online Activity, No Course Completion	Overpaid Tuition Support	Students With No Online Activity, Some Course Completion	Overpaid Tuition Support	Total
2018-2019	4,530	\$ 21,820,104.00	1,164	\$ 5,606,755.20	\$ 27,426,859.20

Reimbursement of Overpaid Tuition Support

On July 12, 2019, the State Board of Education (SBOE) issued a Final Determination (Order) for *In re the Matter of Average Daily Membership ("ADM") for Indiana Virtual School, et al.*, which adjusted the ADM for IVS and IVPA for the 2016-2017, 2017-2018, and 2018-2019 school years, pursuant to Indiana Code 20-43-4-2 and also pursuant to SBOE's unanimous Board vote during its July 10, 2019 business meeting. The Order reduced the virtual schools' respective ADM by fifty percent (50%) based on information and documentation presented to SBOE. On July 25, 2019, SBOE adopted a Resolution ordering: IVS and IVPA cease operations; Daleville must oversee and work with the charters to ensure smooth transitioning of students and orderly closure of the charters pursuant to Daleville's statutory duties under Indiana Code 20-24-9-4.5; and IDOE is to assist Daleville in placing students, to the extent necessary.

Applicable versions of Indiana Code 20-43-4-2 provides that a "[s]chool corporation's ADM is the number of eligible pupils enrolled in the school corporation . . . on a day fixed in September by the [State Board of Education] for a count of students under [IC 20-43-4-3] and as subsequently adjusted by the state board . . . The state board may adjust the school's count of eligible pupils if the state board determines that the count is unrepresentative of the school corporation's enrollment. . . ."

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."

Indiana Code 5-11-5-1(a) provides in relevant part, as follows:

[I]f an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

The Organizer shall maintain records (enrollment cards, 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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any employee may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

IVS received \$11,746,567.56 in total overpayments of state tuition support for school years 2011-2012 through 2016-2017. IVS and IVPA jointly received \$42,950,043.90 in total overpayments of state tuition support for school years 2017-2018 and 2018-2019. We requested that any available assets of the schools should be paid to the State of Indiana to reimburse the overpayment amounts which would have otherwise been available for other school corporations throughout the state or for other state funding priorities.

Additionally, based on their duties and roles as responsible officers or personnel, we requested the below individuals reimburse the State of Indiana for the amounts inappropriately received based on ineligible students being included in ADM reports during the responsible officer or personnels' respective dates of employment.

Below is a schedule of the request for reimbursement to the State of Indiana totaling \$54,696,611.46 for overpayment of tuition support:

Responsible Person(s)	Amount
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; David Stashevsky, Superintendent; and Lou Moonshower, Treasurer, jointly and severally	\$ 14,980.00
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; Graham Clark, Superintendent; and James E. Tilford, Treasurer, jointly and severally	59,110.01
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	8,224.20
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	1,700,859.60
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	6,222,187.35
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	3,741,206.40
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	<u>42,950,043.90</u>
Totals	<u>\$ 54,696,611.46</u>

(See Summary of Charges, page 43)

OVERPAYMENT OF COMPLEXITY GRANT

Schools in Indiana receive additional funding for tuition through a complexity grant, which is determined by IDOE using information from the ADM report and calculations by IDOE. The schools began receiving the complexity grant in school year 2014-2015. Since both IVS and IVPA included ineligible students on their ADM reports, calculations for the complexity grant were inaccurate. We analyzed the submitted forms and recalculated the complexity grant using verified student count data. Below is a schedule of complexity grant overpayments by year:

School Year	Complexity Grant Funding Received	Adjusted Complexity Grant Funding	Overpaid Complexity Grant
2014-2015	\$ 1,028,406.00	\$ 104,287.05	\$ 924,118.95
2015-2016	2,120,113.00	636,977.83	1,483,135.17
2016-2017	4,216,014.00	1,634,066.01	2,581,947.99
2017-2018	4,939,926.84	3,113,840.29	1,826,086.55
2018-2019	<u>5,640,343.80</u>	<u>1,580,066.18</u>	<u>4,060,277.62</u>
Totals	<u>\$ 17,944,803.64</u>	<u>\$ 7,069,237.36</u>	<u>\$ 10,875,566.28</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 cards, 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)

Indiana Code 5-11-5-1(a) provides in relevant part, the following:

[I]f an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any employee may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

IVS and IVPA jointly received \$10,875,566.28 in total overpayments of state complexity grant payments for school years 2014-2015 through 2018-2019. We requested that any available assets of the virtual schools should be paid to the State of Indiana to reimburse the overpayment amounts that would have otherwise been available for other school corporations throughout the state or for other state funding priorities.

Additionally, based on their duties and roles as responsible officers or personnel, we requested the below individuals reimburse the State of Indiana for the complexity grant amounts that were inappropriately received based on ineligible students being included in ADM reports during the responsible officer or personnels' respective dates of employment.

Below is a schedule of the request for reimbursement to the State of Indiana totaling \$10,875,566.28 for overpayment of the complexity grant funds:

Responsible Person(s)	Amount
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	\$ 924,118.95
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	1,483,135.17
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	2,581,947.99
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	<u>5,886,364.17</u>
Totals	<u><u>\$ 10,875,566.28</u></u>

(See Summary of Charges, page 43)

OVERPAYMENT OF SPECIAL EDUCATION GRANT

IVS began receiving state special education grant funds in 2012. IVPA began receiving state special education grant funds in 2016. This funding was based on data supplied by the virtual schools identifying special education needs students. IDOE then calculated the funding the virtual schools would receive on a per student cost basis, depending on the needs identified by the virtual schools. Individuals who sign the report 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 Treasurer are responsible for signing the report and certifying the accuracy of the included figures. The applications for the special education funds were signed by the following individuals for the years listed:

Date Signed	School Year	Signatory as Superintendent, Principal, or Director of Schools	Signatory as Trustee or Corporate Treasurer
Form Unsigned	2012-2013	No signatory	No signatory
February 3, 2014	2013-2014	Thomas Stoughton, Director of IVS	No signatory
	2014-2015	No form found	No form found
December 31, 2015	2015-2016	Phillip Holden, Administrative Director	No signatory
January 6, 2017	2016-2017	Lora Feeser, Principal	James E. Tilford, Treasurer
December 20, 2017	2017-2018	Percy Clark, Superintendent	Fred W. Ellis, Treasurer
December 18, 2018	2018-2019	Percy Clark, Superintendent	Fred W. Ellis, Treasurer

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 recalculated the special education funds due to be paid based on eligible students. These recalculations were compared to the actual amounts received.

Below is a schedule of special education grant overpayments:

School Year	Special Education Funding Received	Adjusted Special Education Funding	Special Education Funding Overpaid
2011-2012	\$ -	\$ -	\$ -
2012-2013	7,572.50	6,440.00	1,132.50
2013-2014	26,470.00	11,325.00	15,145.00
2014-2015	275,054.00	56,583.00	218,471.00
2015-2016	362,700.00	189,900.00	172,800.00
2016-2017	743,500.00	377,000.00	366,500.00
2017-2018	1,538,240.00	803,276.00	734,964.00
2018-2019	1,307,612.00	317,140.00	990,472.00
Totals	<u>\$ 4,261,148.50</u>	<u>\$ 1,761,664.00</u>	<u>\$ 2,499,484.50</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."

Indiana Code 5-11-5-1(a) provides in relevant part, the following:

[I]f an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any employee may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

IVS and IVPA jointly received \$2,499,484.50 in total overpayments of special education grant payments from 2012-2019. We requested that any available assets of the schools should be paid to the State of Indiana to reimburse the overpayment amounts that would have otherwise been available for other school corporations throughout the state or for other state funding priorities.

Additionally, based on their duties and roles as responsible officers or personnel, we requested the below individuals reimburse the State of Indiana for the amounts that were inappropriately received based on ineligible students being included in the special education reports during the responsible officer or personnels' respective dates of employment.

Below is a schedule of the request for reimbursement to the State of Indiana totaling \$2,499,484.50 for overpayment of the state special education funds:

Responsible Person(s)	Amount
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; Graham Clark, Superintendent; and James E. Tilford, Treasurer, jointly and severally	\$ 16,277.50
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; James E. Tilford, Treasurer, jointly and severally	218,471.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	172,800.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	366,500.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	<u>1,725,436.00</u>
Total	<u><u>\$ 2,499,484.50</u></u>

(See Summary of Charges, page 43)

OVERPAYMENT OF CURRICULAR MATERIAL COSTS REIMBURSEMENT

IVS and IVPA requested reimbursement for curricular materials from IDOE for the school years, 2015-2016, 2016-2017, 2017-2018, and 2018-2019, by filing a Summary Cost and Reimbursement Claim Form for School Curricular Material Costs and Eligible Student Counts, as required by IDOE. Curricular materials reimbursement amounts are determined using eligible students and IDOE applying a dollar amount per eligible student. Eligible students were to be determined by the parents completing a free and reduced school lunch application. Eligibility is based on household income. Individuals who sign the report must certify, "The undersigned certify that this report is true and accurate in accordance with IC 20-33-5-7 in every respect to the best of their knowledge and belief, and that no part of same has been paid by the State." The Superintendent and a Preparer are responsible for signing the report and certifying the accuracy of the included figures. These submitted forms were signed by the following individuals for the years listed:

School Year	Signatory as Superintendent	Signatory as Preparer
2015-2016	Percy Clark, Superintendent	Travis Lynch, IT
2016-2017	Percy Clark, Superintendent	James E. Tilford, Treasurer; Patrick Gar Hoover, Board of Directors member
2017-2018	Percy Clark, Superintendent	Phillip Holden, Administrative Director; Adam Carlsen, Data Analyst
2018-2019	Phillip Holden, Administrative Director	Adam Carlsen, Data Analyst

The amounts shown by the virtual schools as costs they incurred had no supporting documentation that could be used to verify these costs. We were unable to examine the applications because the virtual schools used an online data collection form which lacked some of the required information. The form was not signed by the parent and there was no box to check that the parent wished to participate in the curricular materials assistance program. For the online data collection that was retained by the virtual schools, the data was completed by the parents in the student's first year of school with no subsequent applications for ensuing years.

We determined eligible students by using the same criteria we used from the ADM reports compared to the students listed on the report for curricular materials reimbursement. We used the number of eligible students and applied IDOE reimbursement rates to determine what the curricular materials reimbursement should have been. Below is a comparison of what was received as reimbursement versus the recalculated amounts:

School Year	Curricular Materials Assistance Received	Adjusted Curricular Materials Assistance	Overpaid Curricular Materials Assistance
2015-2016	\$ 94,926.71	\$ 42,569.95	\$ 52,356.76
2016-2017	199,071.62	102,351.48	96,720.14
2017-2018	244,111.99	67,594.71	176,517.28
2018-2019	455,947.21	89,527.50	366,419.71
Totals	<u>\$ 994,057.53</u>	<u>\$ 302,043.64</u>	<u>\$ 692,013.89</u>

Charter schools must provide accurate information to IDOE pertaining to the number of students that received free/reduced textbooks (currently referred to as curricular materials). If a variance occurs between the charter school records and the report provided the IDOE, then written communication must also request a determination if any increases or decreases in funding will result to the charter school because of the variance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 8)

Instructions provided by IDOE in their layout for completing the Summary Cost and Reimbursement Claim Form provides that to be eligible, "[t]he family is determined by the school corporation to have a total household income at or below 185% of the poverty line." This would require an annual application by the parents to verify the household income compared to the poverty line. IDOE instructions also state, "On the free or reduced lunch application a parent, guardian or emancipated minor must check that the student would like to receive Curricular Materials Assistance. If Curricular Materials Assistance is not selected on the application student will not be reported on TB collection."

Indiana Code 20-33-5-7 provides:

- (a) If a determination is made that the applicant is eligible for assistance, the school corporation shall pay the cost of the student's required fees.
- (b) A school corporation shall receive a reimbursement from [IDOE] for some or all of the costs incurred by a school corporation during a school year in providing curricular materials assistance to students who are eligible under section 2 of this chapter.
- (c) To be guaranteed some level of reimbursement from [IDOE], the governing body of a school corporation shall request the reimbursement before November 1 of a school year.
- (d) In its request, the governing body shall certify to the [IDOE]:

- (1) the number of students who are enrolled in that school corporation and who are eligible for assistance under this chapter;
 - (2) the costs incurred by the school corporation in providing:
 - (A) curricular materials (including curricular materials used in special education and high ability classes) to these students;
 - (B) workbooks, digital content, and consumable curricular materials (including workbooks, consumable curricular materials, and other consumable instructional materials that are used in special education and high ability classes) that are used by students for not more than one (1) school year; and
 - (C) instead of the purchase of curricular materials, developmentally appropriate material for instruction in kindergarten through the grade 3 level, laboratories, and children's literature programs;
 - (3) that the curricular materials described in subdivision (2)(A) (except curricular materials used in special education classes and high ability classes) have been adopted by the governing body; and
 - (4) any other information required by the [IDOE].
- (e) Each school within a school corporation shall maintain complete and accurate information concerning the number of students determined to be eligible for assistance under this chapter. This information shall be provided to the [IDOE] upon request.
- (f) Parents receiving other governmental assistance or aid that considers educational needs in computing the entire amount of assistance granted may not be denied assistance if the applicant's total family income does not exceed the standards established by this chapter.
- (g) The amount of reimbursement that a school corporation is entitled to receive shall be determined as provided in section 9.5 of this chapter.

Indiana Code 5-11-5-1(a) provides in relevant part, the following:

[I]f an examination discloses malfeasance, misfeasance, or nonfeasance in office or of any officer or employee, a copy of the report, signed and verified, shall be placed by the state examiner with the attorney general and the inspector general. The attorney general shall diligently institute and prosecute civil proceedings against the delinquent officer, or upon the officer's official bond, or both, and against any other proper person that will secure to the state or to the proper municipality the recovery of any funds misappropriated, diverted, or unaccounted for.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any employee may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

IVS and IVPA jointly received \$692,013.89 in total overpayments of curricular materials grant payments for school years 2015-2016 to 2018-2019. We requested that any available assets of the virtual schools should be paid to the State of Indiana to reimburse the overpayment amounts that would have otherwise been available for other school corporations throughout the state or for other state funding priorities.

Additionally, based on their duties and roles as responsible officers or personnel, we requested the below individuals reimburse the State of Indiana for the amounts that were inappropriately received based on ineligible students being included in curricular materials reports during the responsible officer or person's respective dates of employment. Below is a schedule of the request for reimbursement to the State of Indiana totaling \$692,013.89 for overpayment of curricular material costs reimbursement:

Responsible Person(s)	Amount
IVEF; IVS; IVPA; Percy Clark, Superintendent; and Travis Lynch, IT, jointly and severally	\$ 52,356.76
IVEF; IVS; IVPA; Percy Clark, Superintendent; James E. Tilford, Treasurer; and Patrick Gar Hoover, Board of Directors Member, jointly and severally	96,720.14
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and Adam Carlsen, Data Analyst, jointly and severally	<u>542,936.99</u>
Total	<u>\$ 692,013.89</u>

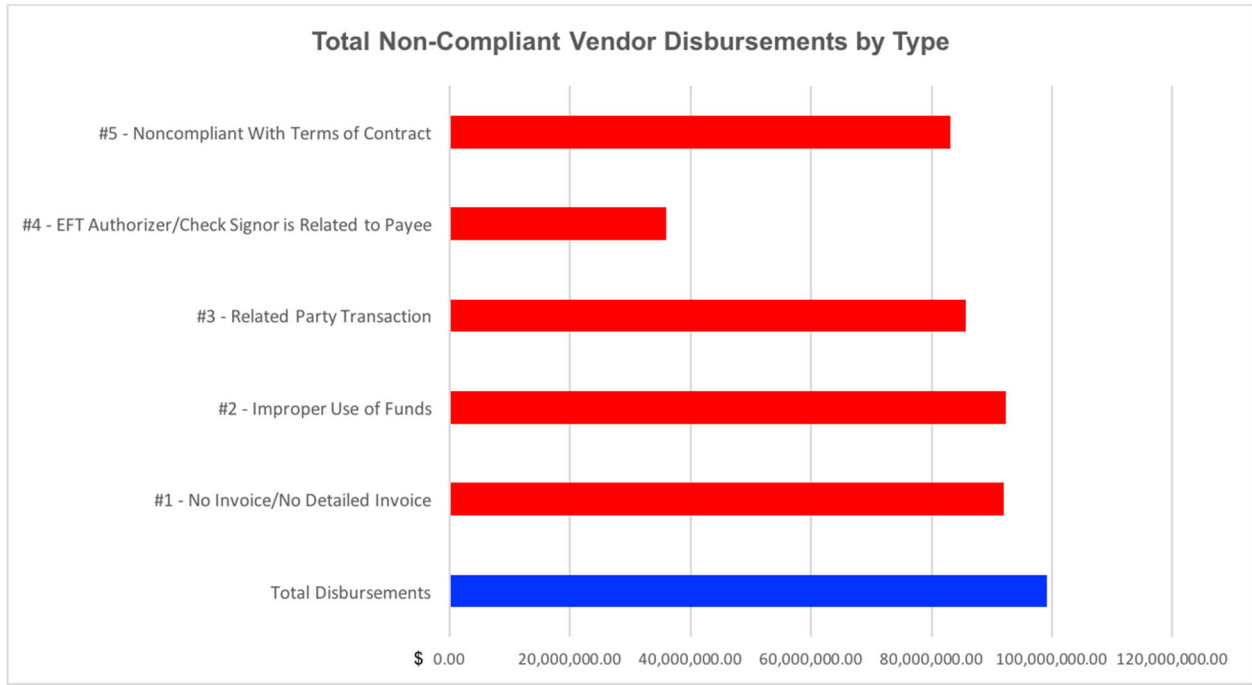
(See Summary of Charges, page 43)

DISBURSEMENT DEFICIENCIES

Twenty-three vendors, excluding teachers and administrators, received payments greater than \$100,000 during the period July 1, 2016 to June 30, 2019. All payments made to these twenty-three vendors were reviewed/tested. The total of these payments made up \$99,154,775.07 of the \$109,212,313.73, or 91 percent of disbursements (net of bank transfers), made collectively by IVS and IVPA during this period. Our testing was for purposes of making determinations relating to the following compliance obligations:

1. Voucher or attached invoice is adequately itemized.
2. Disbursement was a proper use or handling of funds – specifically noncompliant with other citations from charter school manual i.e. asset ownership, disbursements made by check or warrant, excessive or unreasonable costs, or political expenditure.
3. Transaction is not with a related party.
4. EFT Authorizer/check signor is not related to the vendor being paid.
5. Expenditure complies with terms of contract, if applicable.

The following graph shows the collective total disbursements for amounts paid to each of the twenty-three vendors, and also the total amount of the vendor payments made that we determined to be noncompliant with the above-referenced tests.



The schedule on the next page shows the total amounts paid to each of the twenty-three vendors and the amounts of the vendor payments made that were noncompliant with the above-referenced tests. (See the next page)

Total Noncompliant Disbursements by Vendor									
Vendor Name	Related Party	Total Disbursements	#1 - No Invoice/No Detailed Invoice	#2 - Improper Use of Funds	#3 - Related Party Transaction	#4 - EFT Authorizer/Check Signor is Related to Payee	#5 - Noncompliant With Terms of Contract		
American Pathways Academy, LLC	Merle Bright	\$ 32,780,938.39	\$ 32,780,938.39	\$ 32,780,938.39	\$ 32,780,938.39	\$ 3,379,678.60	\$ 32,780,938.39		
Eightbit Designs, LLC	Merle Bright	18,262,120.72	18,262,120.72	18,262,120.72	18,262,120.72	3,509,969.71	18,262,120.72		
Cyber Educational Services, LLC	Merle Bright	14,414,085.95	14,406,262.43	14,414,085.95	14,414,085.95	13,162,755.32	14,406,262.43		
AlphaCom, LLC	Thomas H. Stoughton Thomas Burroughs								
Alpha Consolidated Services, LLC	Merle Bright Thomas Burroughs	14,198,711.45	14,052,354.34	14,192,354.34	14,198,711.45	13,073,190.45	14,052,354.34		
Choice Academies Online, LLC	Merle Bright	2,303,095.86	2,303,095.86	2,303,095.86	2,303,095.86	-	-		
Specialty Leasing Services, LLC	Merle Bright	1,350,000.00	1,350,000.00	1,350,000.00	1,350,000.00	1,200,000.00	1,350,000.00		
Bright Financial Services, LLC	Merle Bright	659,206.63	647,183.91	659,206.63	659,206.63	173,867.98	-		
Institutional Recruiters, LLC	Greg Bright	522,000.00	360,000.00	-	522,000.00	522,000.00	237,000.00		
Professional Consultants of Florida, LLC	Merle Bright	412,500.00	392,500.00	412,500.00	412,500.00	362,500.00	392,500.00		
Institutional Investigators, LLC	Merle Bright	180,000.00	180,000.00	180,000.00	180,000.00	150,000.00	180,000.00		
A Simple Reminder, LLC	Merle Bright	170,100.00	170,100.00	170,100.00	170,100.00	124,400.00	170,100.00		
PS Risk Management, LLC	Tom Stoughton	152,439.60	150,000.00	150,000.00	152,439.60	152,439.60	-		
Center For Leadership Development, LLC	Rhonda Stoughton	142,500.00	142,500.00	142,500.00	142,500.00	112,500.00	142,500.00		
Omega Design Studios, LLC	Rhonda Stoughton	140,000.00	140,000.00	140,000.00	140,000.00	-	140,000.00		
Daleville Community Schools		3,007,708.09	3,007,708.09	3,007,708.09	3,007,708.09	-	-		
Edmentum		2,914,033.50	1,564,427.09	2,914,033.50	-	-	-		
Bose Public Affairs Group, LLC		923,498.00	-	837,500.00	-	-	837,500.00		
Burns & Wilcox - Realty Insurance Group		351,451.03	30,400.80	321,050.23	-	-	-		
IDOE		148,658.44	9,094.00	9,094.00	-	-	-		
Florida Virtual School		3,592,297.83	-	-	-	-	-		
Google		1,962,879.58	1,957,873.38	-	-	-	88,000.00		
Dave Stashevsky		441,550.00	-	-	-	-	-		
		125,000.00	-	-	-	-	-		
Totals		\$ 99,154,775.07	\$ 91,906,559.01	\$ 92,246,287.71	\$ 85,687,698.60	\$ 35,923,301.66	\$ 83,039,275.88		

Additional information regarding noncompliance found during our testing is as follows:

American Pathways Academy

Payments made to American Pathways Academy were noncompliant as follows:

- (#1) No invoices or no detail on invoices for \$32,780,938.39 (100%) of payments made.
- (#2, #5) Fees charged based on ADM and state tuition support are based on incorrectly reported ADM - recalculation of fees based on the verified ADM resulted in a calculated overpayment of \$22,989,658.39. Contract requires detailed monthly invoices to be provided to the school; \$8,152,118.60 (25%) of the payments had no invoice, \$24,628,819.79 (75%) of the payments had invoices with no detail. Contract with school is signed by "Dave Marsh, Vice President." Phillip Holden, Administrative Director, questioned Mr. Marsh about his position as Vice President of American Pathways Academy. Mr. Marsh replied that he was asked to sign a document by Thomas H. Stoughton - no other information was provided by Mr. Marsh regarding his position as "Vice President of American Pathways Academy."
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO of IVS/IVPA) is American Pathways Academy CFO.
- (#4) \$3,379,678.60 (10%) of the payments made to American Pathways Academy were made with checks signed by Merle Bright.

Eightbit

Payments made to Eightbit included hourly rates of \$275-\$400 for consulting services and also included a "monthly billing" charge of \$572,576.95 (February 2019) for "software development." Specific instances of noncompliance found during testing were as follows:

- (#1) No invoices or no detail on invoices for \$18,262,120.72 (100%) of payments made.
- (#2, #5) Fees charged based on ADM and state tuition support are based on incorrectly reported ADM. Recalculation of fees based on the verified ADM resulted in a calculated overpayment of \$14,061,908.72. Contract requires monthly invoices to be provided to the school; \$3,096,549.50 (17%) of the payments had no invoice, \$15,165,571.22 (83%) of the payments had invoices with insufficient detail. Invoice provided for February 2019 billing includes \$285,825.83 of "Teacher Salaries"; however, all teachers were independent contractors of IVS/IVPA and paid directly by IVS/IVPA. Contract also contains restrictive Intellectual Property language - despite being paid for with school funds, the contract reserves the asset rights for the vendor.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of ECL. Eightbit is a wholly owned subsidiary of ECL, Thomas Burroughs (Attorney IVS/IVPA) served as Legal Representative for Eightbit, and Dave Marsh was listed as an officer for both Eightbit and ECL.
- (#4) \$3,509,969.71 (19%) of the payments made were with checks signed by Merle Bright.

Cyber Educational Services

Payments made to Cyber Educational Services included hourly rates of \$350-\$750 for consulting services. Specific instances of noncompliance found during testing were as follows:

- (#1) No invoices or no detail on invoices for \$14,406,262.43 (99.9%) of payments made.
- (#2, #5) Fees charged based on ADM and state tuition support are based on incorrectly reported ADM. Recalculation of fees based on the verified ADM resulted in a calculated overpayment of \$8,449,984.60. Contract requires monthly invoices to be provided to the school; \$8,359,624.75 (58%) of the payments had no invoice, \$6,046,637.68 (41.9%) of the payments had invoices with insufficient detail. Contract details services for Facility Services to include security, maintenance, utilities, communications/internet, housekeeping, etc. Services described are duplicated by multiple vendors although IVS/IVPA maintained one office location. Contract also contains restrictive Intellectual Property language – despite being paid for with school funds, the contract reserves the asset rights for the vendor.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Cyber Educational Services.
- (#4) \$13,162,755.32 (91%) of payments were made by EFT dated August 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

AlphaCom

Payments made to AlphaCom included hourly rates of \$350-\$750 for consulting services. Specific instances of noncompliance found during testing were as follows:

- (#1) No invoices or no detail on invoices for \$14,052,354.34 (99%) of payments made.
- (#2, #5) Fees charged based on ADM and state tuition support are based on incorrectly reported ADM. Recalculation of fees based on the verified ADM resulted in a calculated overpayment of \$9,852,611.51. Contract requires monthly invoices to be provided to the school; \$10,587,355.41 (75%) of the payments had no invoice, \$3,464,998.93 (24%) of the payments had invoices with insufficient detail.
- (#3) Thomas H. Stoughton (Board Chairman IVS/IVPA) served as President of AlphaCom until February 16, 2017, Christopher King (Board Member IVS/IVPA) serves as President of AlphaCom, Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright (CFO IVS/IVPA) serves as CEO/Treasurer of AlphaCom, Thomas Burroughs (Attorney IVS/IVPA) served as General Counsel for AlphaCom.
- (#4) \$2,222,861.94 (16%) of the payments made to AlphaCom were with checks signed by Thomas H. Stoughton. \$10,850,328.51 (76%) of the payments made were by EFT dated August 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments" and Thomas H. Stoughton was an authorized signor on the bank account.

Alpha Consolidated

Payments made to Alpha Consolidated, were noncompliant as follows:

- (#1) No invoices or no detail on invoices for \$2,303,095.86 (100%) of payments made.
- (#2, #5) \$2,253,095.86 (98%) of payments had no invoice, \$50,000 (2%) of the payments had invoices with insufficient detail. No contract was presented for examination.
- (#3) Thomas Burroughs (Board Member IVS, Legal Representative IVS/IVPA) is the Vice President and Legal Representative for Alpha Consolidated. Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is Alpha Consolidated CFO.

Choice Academies

Payments made to Choice Academies were noncompliant as follows:

- (#1) No invoices or no detail on invoices for \$1,350,000 (100%) of payments made.
- (#2, #5) Contract details services for Facility Services to include security, maintenance, utilities, communications/internet, housekeeping, etc.; for furniture, equipment, supplies; technology hardware and software. Services described are duplicated by multiple vendors although IVS/IVPA maintained one office location. Contract also contains restrictive Intellectual Property language – despite being paid for with school funds, the contract reserves the asset rights for the vendor.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Choice Academies.
- (#4) \$1,200,000 (89%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Specialty Leasing

Payments made to Specialty Leasing were noncompliant as follows:

- (#1) No invoices or insufficient supporting documentation was presented for \$647,183.91 (98%) of payments made.
- (#2, #5) Contract details services for leasing of assets in "Exhibit A" (listing of assets) - this exhibit is blank. One invoice presented for payment references "office furniture and computer equipment"; the items described are duplicated by another vendor (Choice Academies) although IVS/IVPA maintained one office location. Additionally, the equipment was purchased in December 2017 - \$60,129.62 was paid as a prepayment penalty.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Specialty Leasing.
- (#4) \$173,867.98 (26%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Bright Financial

Payments made to Bright Financial were noncompliant as follows:

- (#1) No invoices or insufficient supporting documentation was presented for \$360,000 (69%) of payments made.
- (#3) Greg Bright was authorized by contract to initiate "ACH payments"; all payments made to Bright Financial were made by EFT with no evidence of approval by another individual. Additionally, Merle Bright (father) was an authorized signor of bank account for IVS.
- (#4) \$522,000 (100%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."
- (#5) Contract stated \$15,000 per month for accounting services; for 14 months, beginning January 2018 payments increased to \$18,000 per month with no amendment of contract amount provided.

Institutional Recruiters

Payments made to Institutional Recruiters were noncompliant as follows:

- (#1) no detail on invoices for \$392,500 (95%) of payments made.
- (#2, #5) Contract details services for recruitment (advertising, interviewing, credential certification) of teachers. Ninety-three teacher recruitments were billed; total teachers for the period was fifty-four. Invoices contain no information regarding individuals or specific details of the recruitments.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Institutional Recruiters.
- (#4) \$362,500 (88%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Professional Consultants

Payments made to Professional Consultants were noncompliant as follows:

- (#1) no detail on invoices for \$180,000.00 (100%) of payments made.
- (#2, #5) Contract details services for professional consulting - specifically including obtaining proposals from professional service firms including attorneys, CPAs & 401K providers - \$10,000 per month was charged. During the period reviewed, Thomas Burroughs served as counsel/legal representative/Attorney for IVEF. Greg Bright, CPA served under contract as the CFO; the terms of his contract outline unlimited consulting services. The schools had no employees, and no contributions were made to a 401K.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Professional Consultants.

- (#4) \$150,000.00 (83%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Institutional Investigators

Payments made to Institutional Investigators were noncompliant as follows:

- (#1) no detail on invoices for \$170,100 (100%) of payments made – invoices included only quantity and rate no names noted.
- (#2, #5) Contract details services for background checks for teachers. Total teachers for the billed period was 54 – total number of background checks performed was 765. Invoices contain no information regarding individuals or specific details of the background checks performed.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of Institutional Investigators.
- (#4) \$124,400 (73%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

A Simple Reminder

Payments made to A Simple Reminder were noncompliant as follows:

- (#1) No detail on invoices for \$150,000 (98%) of payments made.
- (#3) Tom Stoughton (son of Thomas H. Stoughton) is listed as a President for years 2015-2016 and 2017-2018 for A Simple Reminder. Thomas H. Stoughton was the Organizer for IVS/IVPA and the Chairman of the Board until October 2017. Rhonda Stoughton (spouse of Thomas H. Stoughton) served as President of A Simple Reminder, Thomas Burroughs (Attorney IVS/IVPA) served as Counsel for A Simple Reminder.
- (#4) \$152,439.60 (100%) of the payments made to A Simple Reminder were with checks signed by Thomas H. Stoughton.

PS Risk Management

Payments made to PS Risk Management were noncompliant as follows:

- (#1) no detail on invoices for \$142,500 (100%) of payments made.
- (#3) Merle Bright (authorized signor of bank account for IVS/IVPA and father of Greg Bright, CFO IVS/IVPA) is the managing member of PS Risk Management.
- (#4) \$112,500.00 (79%) of payments were made by EFT dated September 2016 through November 2017, during which time Greg Bright was authorized by contract to initiate "ACH payments."

Center for Leadership Development

Payments were made to Center for Leadership Development for \$20,000 per month for leadership development. Specific instances of noncompliance found during testing were as follows:

- (#1) No invoices or no detail on invoices for \$140,000 (100%) of payments made.
- (#2, #5) Contract details services for "leadership development" supplied over the course of one year to 2,000 students residing in Marion County. No information regarding students involved or determination of students was provided. Contract is unsigned.
- (#3) Rhonda Stoughton is listed as a Board member for the Center for Leadership Development.

Omega Design Studios, LLC

Payments made to Omega Design Studios, LLC (Omega Design), were noncompliant as follows:

- (#1) No invoices or insufficient supporting documentation was presented for \$3,007,708.09 (100%) of payments made.
- (#3) Omega Design shared the same office location as A Simple Reminder, AlphaCom, American Pathways Academy and Eightbit.

Daleville

Payments were made to Daleville for authorizer fees and oversight. Specific instances of noncompliance found during testing were as follows:

- (#1) No detail of payment calculation was provided for \$1,564,427.09 (54%) of payments made.
- (#2) Fees charged based on ADM and state tuition support are based on incorrectly reported ADM. Recalculation of fees based on the verified ADM resulted in a calculated overpayment of \$2,006,226.92.

Edmentum

Payments made to Edmentum were noncompliant as follows:

- (#2, #5) Edmentum contracted with AlphaCom, not with IVS/IVPA. \$837,500 (91%) of payments were not an obligation of the schools. Concurrent payments to AlphaCom were unsubstantiated.

Bose Public Affairs Group, LLC

Payments made to Bose Public Affairs Group, LLC were noncompliant as follows:

- (#1) No invoices or no detail on invoices for \$30,400.80 (9%) of payments made.
- (#2) \$321,050.23 (91%) of payments were for political lobbying.

EFT Vendor Payments

The following represents important information regarding EFT vendor payments:

- Greg Bright was the owner of Pay Pros, LLC d/b/a Bright Financial Services, LLC. Payments totaling \$26,738,351.81 were made via EFT by IVS or IVPA to Bright Financial Services. Amounts paid were commensurate with claims amounts presented by other vendors; however, no documentation was presented to show payments were made by Bright Financial Services to the other vendors.

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

All claims, invoices, receipts, and accounts payable vouchers shall contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Payments made or received for contractual services must be supported by a written contract. Each charter school is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Every effort should be made by the charter school to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Assets purchased by a charter school must be titled appropriately in the name of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Each charter school is responsible for compliance with all rules, regulations, guidelines, and directives of the IRS and the Indiana Department of Revenue (IDOR). (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Expenditures for political purposes, contributions to political campaigns, directly or indirectly, which are not authorized by statute may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any official or employee may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

We requested the vendors referenced below reimburse the State of Indiana for noncompliant payment amounts that were received, in situations where there was no invoice or no itemized information on the invoice, and a related party was involved. Determined to be jointly and severally liable with the responsible officers or personnel who approved or authorized the noncompliant payments, we are requesting the identified related parties reimburse the State for the noncompliant amounts that were received. Also determined to be jointly and severally liable, we are requesting Bright Financial reimburse the State for the funds received by IVEF and then transferred via EFT to a Bright Financial bank account. Moreover, as organizer, IVEF is determined to be jointly and severally liable with the responsible officers or personnel and the related parties, for the entire charged amount of \$85,687,698.60.

Indiana Code 20-24-3-3 provides that a charter school's bylaws must provide that upon cessation of operations, "(1) the remaining assets of the charter school shall be distributed first to satisfy outstanding payroll obligations for employees . . . , then to creditors . . . , then to any outstanding debt to the common school fund; and (2) the remaining funds received from [IDOE] shall be returned to [IDOE] not more than thirty (30) days after the charter school ceases operation due to: (A) closure . . . (B) nonrenewal . . . or (C) revocation of the charter school's charter . . ."

Indiana Code 20-24-7-1 provides as follows:

- (a) The organizer is the fiscal agent for the charter school.
- (b) The organizer has exclusive control of:
 - (1) funds received by the charter school; and
 - (2) financial matters of the charter school.
- (c) The organizer shall maintain accounts of all funds received and disbursed by the organizer. The organizer shall maintain separate accountings of all funds received and disbursed by each charter school it holds. . .

Below is a schedule of the request for reimbursement to the State of Indiana totaling \$85,687,698.60 for noncompliant payments. In addition, because related-party vendors AlphaCom, Cyber Educational Services, Eightbit, and American Pathways Academy received payments based on percentages of revenues from state funding and fees charged for each student enrolled, applicable repayments from the overpayment of state funding charges should be offset against the disbursement deficiencies charges, as appropriate.

Responsible Vendors and Individuals	Amount
American Pathways Academy, LLC; Merle Bright; and IVEF, jointly and severally	\$ 32,780,938.39
Eightbit Designs, LLC; Merle Bright; and IVEF, jointly and severally	18,262,120.72
Cyber Educational Services, LLC; Merle Bright; and IVEF, jointly and severally	1,251,330.63
Cyber Educational Services, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	13,162,755.32
AlphaCom, LLC; Thomas H. Stoughton; Merle Bright; Thomas Burroughs and IVEF, jointly and severally	3,348,382.94
AlphaCom, LLC; Thomas H. Stoughton; Merle Bright; Thomas Burroughs; Bright Financial Services, LLC; and IVEF, jointly and severally	10,850,328.51
Alpha Consolidated Services, LLC; Thomas Burroughs; Merle Bright; and IVEF, jointly and severally	2,303,095.86
Choice Academies Online, LLC; Merle Bright; and IVEF, jointly and severally	150,000.00
Choice Academies Online, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	1,200,000.00
Specialty Leasing Services, LLC; Merle Bright; and IVEF, jointly and severally	485,338.65
Specialty Leasing Services, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	173,867.98
Bright Financial Services, LLC; Greg Bright; and IVEF, jointly and severally	522,000.00
Institutional Recruiters, LLC; Merle Bright; and IVEF, jointly and severally	50,000.00
Institutional Recruiters, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	362,500.00
Professional Consultants of Florida, LLC; Merle Bright; and IVEF, jointly and severally	30,000.00
Professional Consultants of Florida, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	150,000.00
Institutional Investigators, LLC; Merle Bright; and IVEF, jointly and severally	45,700.00
Institutional Investigators, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	124,400.00
A Simple Reminder, LLC; Rhonda Stoughton; Tom Stoughton; and IVEF, jointly and severally	152,439.60
PS Risk Management, LLC; Merle Bright; and IVEF, jointly and severally	30,000.00
PS Risk Management, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	112,500.00
Center for Leadership Development, LLC; Rhonda Stoughton; and IVEF, jointly and severally	140,000.00
Total Charges	<u>\$ 85,687,698.60</u>

The following responsible officers and personnel served in positions of financial responsibility for IVEF d/b/a IVS and IVPA and may also be jointly and severally requested to repay the State of Indiana for the noncompliant disbursement deficiencies made: Thomas H. Stoughton (authorized signor), Merle Bright (authorized signor), Fred W. Ellis (Treasurer and authorized signor), Phillip Holden (Assistant Treasurer and authorized signor), and James E. Tilford (Treasurer). (See Summary of Charges, page 44)

SPECIAL INVESTIGATION COSTS

The State of Indiana incurred additional costs in the investigation of student enrollment and vendor payments of IVEF.

Audit costs incurred because of poor records, nonexistent records or any other inadequate book-keeping practices, or because of theft or a shortage maybe the personal obligation of the responsible officials or employees. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Indiana Code 5-11-1-27(m) provides as follows:

(m) 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 [SBOA]; and
- (2) all costs and reasonable attorney's fees incurred by the attorney general; in connection with the civil proceedings.

We requested each and every party subject to any charge in this special investigation report, to jointly and severally reimburse the State of Indiana \$218,174.62 for special investigation costs. (See Summary of Charges, page 43)

NON-COMPLIANCE WITH INDIANA CODE 20-24-3-2.5

When Daleville granted a charter to IVS under the 2015 Agreement, and when Daleville granted a charter to IVPA under the 2017 Agreement, no information was provided regarding BCI or IVEF's intentions to contract with an education service provider.

Indiana Code 20-24-1-6.1 defines an "education service provider" as "a for profit education management organization, nonprofit charter management organization, school design provider, or any other partner entity with which a charter school intends to contract for educational design, implementation, or comprehensive management."

IVEF entered into contracts with AlphaCom, Choice Academies, Cyber Educational Services, and American Pathways Academy to provide multiple management functions, including school operation and support services.

Indiana Code 20-24-3-2.5 provides the following requirements that proposed charter schools must include in the request for proposals when intending to contract with an education service provider:

- (1) Evidence of the education service provider's success in serving student populations similar to the targeted populations, including demonstrated academic achievement as well as successful management of nonacademic school functions, if applicable.
- (2) A term sheet setting forth:
 - (A) the proposed duration of the service contract;
 - (B) the roles and responsibilities of the organizer, the school staff, and the education service provider;

- (C) the performance evaluation measures and timelines;
 - (D) the compensation structure, including clear identification of all fees to be paid to the education service provider;
 - (E) the methods of contract oversight and enforcement;
 - (F) the investment disclosure;
 - (G) that the school and the authorizer are entitled to any data directly related to the operation or management of the school, such as financial data, enrollment data, demographic data, performance data, and student data, in the possession of the education service provider, but may not include any proprietary, intellectual property, or similarly protected data of the education service provider; and
 - (H) the conditions for renewal and termination of the contract.
- (3) A disclosure statement to explain any existing or potential conflicts of interest between the organizer and the proposed education service provider or any affiliated business entities.
- (4) Assurance that the organizer will be structurally independent of the education service provider and shall set and approve school policies. The assurance must also provide that the terms of the service contract must be reached by the organizer and the education service provider through arms length negotiations in which the organizer must be represented by legal counsel. The legal counsel may not also represent the education service provider.

No information was presented to document Daleville was informed of IVEF's intention to contract with education service providers. Further, no information was presented to document Daleville received evidence of academic achievement, a term sheet, a disclosure statement regarding existing or potential conflicts of interest, or an assurance that IVEF was structurally independent of the education service providers contracted by IVEF.

Additionally, neither the contracts nor the invoices submitted by the education services providers contained clear identification of the fees paid to the education service providers. Existing conflicts of interest between IVEF and the education service providers and affiliated business entities were identified. Merle Bright was a signor on an IVEF bank account and was an officer at all of the education service providers. Further, Thomas H. Stoughton served on the Board of IVEF and was a former officer at AlphaCom. Moreover, Thomas Burroughs served as legal counsel for both IVEF and AlphaCom. As a result, IVEF was not structurally independent of the education service providers.

Charter Schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter Schools shall file accurate reports required by federal and state agencies. Noncompliance would require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

INTERNAL CONTROL DEFICIENCIES

We noted several deficiencies in internal controls which contributed to the overpayments of tuition support, the complexity grant, special education grant, reimbursement of curricular materials and disbursement deficiencies, as follows:

- As Sponsor/Authorizer, Daleville was required to provide oversight of IVS and IVPA. There was no documentation provided by IVS or IVPA regarding the oversight provided by Daleville. Without documentation, we were unable to determine the adequacy of the oversight provided by Daleville during this examination. Per Section 13.9 of the Charter School Agreement detailed above in the Background Comment, and Indiana Code 20-24-2.2 titled "Monitoring and Accountability of Sponsors," Sponsor Daleville was to monitor IVS and IVPA.
- There was no documentation provided that showed the respective Board of Directors for IVS and IVPA approved the disbursements made by the schools.
- There was insufficient segregation of duties between the IVS/IVPA Board of Directors President and the IVS/IVPA Director of Schools. Thomas H. Stoughton acted as Chief Executive and Operating Officer simultaneously while serving as IVS/IVPA Board President. In these roles, Thomas H. Stoughton was empowered to sign all written contracts on behalf of IVEF and he was responsible for writing and distributing checks. There was no evidence the IVS/IVPA Board of Directors approved disbursements. This allowed checks to be written to related-party vendors and contracts to be entered into with related-party vendors, without any oversight or approval.
- The respective Board of Directors for IVS and IVPA had no meaningful oversight of the operations of the virtual schools. The virtual schools did not provide documentation to indicate these respective Boards provided oversight to any appreciable degree.
- Documentation presented for examination included two blank checks, which were signed by Fred W. Ellis (Deceased).
- IVEF did not comply with Indiana Code 20-39-1-4, which requires charter school organizers to: ". . . adopt and accurately implement a single, unified accounting system for charter school organizers as prescribed by [SBOE] and [SBOA]. The system, including a chart of accounts and all prescribed forms, must enable charter school organizers to adopt the accrual basis method of accounting."
- Merle Bright owned several limited liability corporations that provided education and other services to the virtual schools. Merle Bright did not serve on either the IVS or IVPA Board of Directors, but was authorized to sign checks beginning September 13, 2016, for both virtual schools. While Merle Bright was providing services to the virtual schools, he also signed checks for both virtual schools from June 15, 2018 through August 17, 2018.

- Both IVS and IVPA did not follow the Conflict of Interest Policy adopted in the Standard Operating Procedures Manual. This Policy states, "No employees, contractors, or other providers of service may derive any personal profit or gain, directly or indirectly, by reason of his or her relationship with [IVS]. Each individual shall disclose to the [Organizer] any personal interest which he or she may have in any matter pending before the organization and shall refrain from participation in any decision on such matter. Any member of the Board, any Committee, or Staff who is an officer, board member, a committee member or staff member of a client organization or vendor of [IVS] shall identify his or her affiliation with such agency or agencies; further, in connection with any committee or board action specifically directed to that agency, s/he shall not participate in the decision affecting that agency and the decision must be made and/or ratified by the full Board of Directors." No documentation was provided that a conflict of interest was disclosed to the respective IVS and IVPA Boards of Directors by any related-party vendors or by any officials or employees.
- IVS and IVPA did not have safeguards in place to ensure compliance with requirements to maintain 501(c)(3) exempt status. Disbursements to Bose Public Affairs Group, LLC were for political lobbying. Pursuant to 26 USC 501(c)(3), an organization cannot engage in substantial lobbying meant to influence legislation.
- As Organizer, IVEF was responsible for the fiscal operations of the charter schools under Indiana Code 20-24-7-1. Separate Board of Directors were established for IVS and IVPA. One Treasurer was designated. The Treasurer's duties included having charge and custody of all funds and securities. However, there were periods of time where the person signing checks was not the Treasurer. In addition, for a period of time a vendor was signing the virtual school checks.
- 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 for either virtual school. Lack of oversight resulted in the following:
 - Students not attending classes were not being omitted from the counts. Truant students were not being removed from the virtual schools and reported as per Indiana Code 20-33-2-25.
 - A deceased student was included on an ADM report more than a year after he passed away.
 - Two students that moved to Florida in 2011 were still being included in ADM reports for subsequent years, including in school year 2018-2019.
 - Students over the age of 22 were regularly included in ADM reports.
 - We were provided documentation from a service provider that the service provider scanned the IDOE Student Application Center for students who were previously enrolled at IVS or IVPA, but after being dis-enrolled, had not enrolled at another Indiana school. Several of these students were then re-enrolled by IVPA or IVPA and included in their respective ADM counts.

- Teachers for both IVS and IVPA were given lists of registered students for the classes they taught. Every two weeks, these teachers were given a report indicating "active" students. These lists showed only a fraction of the total students registered for that class. We saw no documentation to indicate either virtual school reviewed these active student lists to ensure truant students or students who were not attending were removed from the virtual schools.
- The virtual schools did not follow their respective Student Engagement Policy after it was adopted.

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 charter school must establish minimum policies and procedures concerning operations. The charter school must engage in active oversight by routinely receiving and discussing financial reports from the organizer. The charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with the charter school's finances and activities and to participate regularly in its operations. Duty of loyalty requires that any conflict of interest, real or possible, always be disclosed in advance of being employed and when they arise. A charter school has a duty of obedience to insure that the school complies with applicable laws and regulations and its internal policies and procedures. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 8)

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Checks and receipts shall be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Pursuant to Indiana Code 5-11-1-27(e), SBOA is required to define the acceptable minimum level of internal control standards. In compliance with this statutory requirement, the State Examiner compiled the standards contained in the manual entitled "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. In addition, this Manual includes the following:

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[.]

INVESTIGATION BY LAW ENFORCEMENT AGENCIES

This matter has been referred to federal and state criminal investigative agencies due to potential violations of federal and state law. A copy of the filed report has been sent to the local and federal prosecutor's office, Indiana Inspector General's Office, and to the Indiana Attorney General's office.

CRIME INSURANCE COVERAGE

We requested documentation for crime insurance coverage information from school officials. We noted there were payments to Realty Insurance Group, which were listed as payments for crime insurance coverage. We have not been provided any crime insurance coverage information as of the date of issuance of this report.

Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School and Indiana Pathways Academy:
EXIT CONFERENCE

The contents of this report were discussed on January 29, 2020, with Phillip Holden, former Administrative Director and former Assistant Treasurer. The contents of this report were discussed on February 2, 2020, with Percy Clark, Jr., former Superintendent.

Certified letters were sent to Graham Clark, former Superintendent; Lou Moonshower, former Treasurer; David Stashevsky, former Superintendent; and Thomas H. Stoughton, former President of the Board of Directors and former Director of IVS. These individuals did not attend the exit conference.

Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School and Indiana Pathways Academy:
SUMMARY OF CHARGES

(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance
Overpayment of Tuition Support, pages 12 through 17			
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; David Stashevsky, Superintendent; and Lou Moonshower, Treasurer, jointly and severally	\$ 14,980.00	\$ -	\$ 14,980.00
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; Graham Clark, Superintendent; and James E. Tilford, Treasurer, jointly and severally	59,110.01	-	59,110.01
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	8,224.20	-	8,224.20
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	1,700,859.60	-	1,700,859.60
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	6,222,187.35	-	6,222,187.35
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	3,741,206.40	-	3,741,206.40
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	42,950,043.90	-	42,950,043.90
Overpayment of Complexity Grant, pages 17 through 19			
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; and James E. Tilford, Treasurer, jointly and severally	924,118.95	-	924,118.95
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	1,483,135.17	-	1,483,135.17
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	2,581,947.99	-	2,581,947.99
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	5,886,364.17	-	5,886,364.17
Overpayment of Special Education Grant, pages 19 through 21			
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; Graham Clark, Superintendent; and James E. Tilford, Treasurer, jointly and severally	16,277.50	-	16,277.50
IVEF; IVS; IVPA; Percy Clark, Superintendent; Thomas H. Stoughton, Director of IVS; James E. Tilford, Treasurer, jointly and severally	218,471.00	-	218,471.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and James E. Tilford, Treasurer, jointly and severally	172,800.00	-	172,800.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and James E. Tilford, Treasurer, jointly and severally	366,500.00	-	366,500.00
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; Lora Feeser, Principal; and Fred W. Ellis, Treasurer, jointly and severally	1,725,436.00	-	1,725,436.00
Overpayment of Curricular Material Costs Reimbursement, pages 21 through 24			
IVEF; IVS; IVPA; Percy Clark, Superintendent; and Travis Lynch, IT, jointly and severally	52,356.76	-	52,356.76
IVEF; IVS; IVPA; Percy Clark, Superintendent; James E. Tilford, Treasurer; and Patrick Gar Hoover, Board of Directors Member, jointly and severally	96,720.14	-	96,720.14
IVEF; IVS; IVPA; Percy Clark, Superintendent; Phillip Holden, Administrative Director; and Adam Carlsen, Data Analyst, jointly and severally	<u>542,936.99</u>	-	<u>542,936.99</u>
Totals	<u>68,763,676.13</u>	-	<u>68,763,676.13</u>
Special Investigation Costs, page 36			
IVEF; IVS; IVPA; Thomas H. Stoughton, Director of IVS; David Stashevsky, Superintendent; Graham Clark, Superintendent; Percy Clark, Superintendent; Lou Moonshower, Treasurer; James E. Tilford, Treasurer; Fred W. Ellis, Treasurer; Phillip Holden, Administrative Director; Lora Feeser, Principal; Travis Lynch, IT; Patrick Gar Hoover, Board of Directors Member; and Adam Carlsen, Data Analyst	<u>218,174.62</u>	-	<u>218,174.62</u>
Totals	<u>\$ 68,981,850.75</u>	\$ -	<u>\$ 68,981,850.75</u>

*Any applicable repayments received for the above overpayment of state funds charges, should be offset against the disbursement deficiencies charges on the next page.

Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School and Indiana Pathways Academy:
SUMMARY OF CHARGES

(Due to Malfeasance, Misfeasance, or Nonfeasance)

	Charges	Credits	Balance
Disbursement Deficiencies, pages 24 through 35			
American Pathways Academy, LLC; Merle Bright; and IVEF, jointly and severally	\$ 32,780,938.39	\$ -	\$ 32,780,938.39
Eightbit Designs, LLC; Merle Bright; and IVEF, jointly and severally	18,262,120.72	-	18,262,120.72
Cyber Educational Services, LLC; Merle Bright; and IVEF, jointly and severally	1,251,330.63	-	1,251,330.63
Cyber Educational Services, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	13,162,755.32	-	13,162,755.32
AlphaCom, LLC; Thomas H. Stoughton; Merle Bright; Thomas Burroughs and IVEF, jointly and severally	3,348,382.94	-	3,348,382.94
AlphaCom, LLC; Thomas H. Stoughton; Merle Bright; Thomas Burroughs; Bright Financial Services, LLC; and IVEF, jointly and severally	10,850,328.51	-	10,850,328.51
Alpha Consolidated Services, LLC; Thomas Burroughs; Merle Bright; and IVEF, jointly and severally	2,303,095.86	-	2,303,095.86
Choice Academies Online, LLC; Merle Bright; and IVEF, jointly and severally	150,000.00	-	150,000.00
Choice Academies Online, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	1,200,000.00	-	1,200,000.00
Specialty Leasing Services, LLC; Merle Bright; and IVEF, jointly and severally	485,338.65	-	485,338.65
Specialty Leasing Services, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	173,867.98	-	173,867.98
Bright Financial Services, LLC; Greg Bright; and IVEF, jointly and severally	522,000.00	-	522,000.00
Institutional Recruiters, LLC; Merle Bright; and IVEF, jointly and severally	50,000.00	-	50,000.00
Institutional Recruiters, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	362,500.00	-	362,500.00
Professional Consultants of Florida, LLC; Merle Bright; and IVEF, jointly and severally	30,000.00	-	30,000.00
Professional Consultants of Florida, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	150,000.00	-	150,000.00
Institutional Investigators, LLC; Merle Bright; and IVEF, jointly and severally	45,700.00	-	45,700.00
Institutional Investigators, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	124,400.00	-	124,400.00
A Simple Reminder, LLC; Rhonda Stoughton; Tom Stoughton; and IVEF, jointly and severally	152,439.60	-	152,439.60
PS Risk Management, LLC; Merle Bright; and IVEF, jointly and severally	30,000.00	-	30,000.00
PS Risk Management, LLC; Merle Bright; Bright Financial Services, LLC; and IVEF, jointly and severally	112,500.00	-	112,500.00
Center for Leadership Development, LLC; Rhonda Stoughton; and IVEF, jointly and severally	140,000.00	-	140,000.00
Totals	<u>\$ 85,687,698.60</u>	<u>\$ -</u>	<u>\$ 85,687,698.60</u>

This report was forwarded to the Office of the Indiana Attorney General, Office of the Indiana Inspector General, and the local prosecuting attorney.

AFFIDAVIT

STATE OF INDIANA)
Hamilton COUNTY)

We, Tammy L. Baker, William F. Vinson, and Emily VanCuren, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of Indiana Virtual Education Foundation, Inc. d/b/a Indiana Virtual School and Indiana Pathways Academy, Marion County, Indiana, for the period from July 1, 2011 to June 30, 2019, is true and correct to the best of our knowledge and belief.

Tammy L. Baker

Wm. F. Vinson

Emily VanCuren
Field Examiners

Subscribed and sworn to before me this 10th day of February, 2020

Michelle Glodowski
Notary Public

My Commission Expires: 12/20/20

County of Residence: Hamilton

