

The I.N.S.P.I.R.E. School for Autism
Board of Directors



Mark Anderson is a law enforcement professional with over fifteen years of experience in Vermont law enforcement. He attended the University of Massachusetts Isenberg School of Business obtaining a Bachelor's in Business Administration: Management. He serves as a Master Instructor at the Vermont Police Academy. He is a combat veteran, and has served in Operation Enduring Freedom, and Operation Atlantic Resolve. He has over fourteen years of combined service with the Massachusetts Air National Guard and the United States Air Force. He currently serves as the Chair of the Board of Directors.



Kathleen Vranos, Ed.D is a higher education administrator with fifteen years of experience in two- and four-year institutions. She is a founding member of The I.N.S.P.I.R.E School for Autism and a parent of one of the first students. She attended Boston College obtaining a B.A. in English/Communications, an M.S. in Advertising from Northwestern University, and an Ed.D. in Higher Education Administration from Northeastern University. She has also spent approximately two decades in private sector marketing. She serves as the Secretary of the Board of Directors, and is the past Chair of the Board of Directors.



Craig White is a local entrepreneur and experienced non-profit, educational trustee in multiple environments who pursues ideals of sustainable businesses practices and use of local, organic food in an effort to support the community. Craig's restaurants have served as opportunities for I.N.S.P.I.R.E. students to build vocational skills without prejudice of their disabilities. He serves as the Treasurer of the Board of Directors.



William Vranos, MD is a board-certified Orthopedic Surgeon in Massachusetts. He is a founding member of The I.N.S.P.I.R.E School for Autism and a parent of one of the first students. He attended Boston College and Emory University School of Medicine. He is a veteran of the United States Air Force. He serves as a member of the Board of Directors.

Martha Lewin has worked in Family Support for over 20 years. Her areas of expertise include Autism Syndrome Disorder and Educational Advocacy. Serving as a Family Support Manager at a Massachusetts non-profit agency for approximately seven years, she has facilitated an Autism Resource Group and served as a family advocate. She is the mother of a young adult son who is on the spectrum.

I.N.S.P.I.R.E. for Autism, Inc.

Financial Procedures

June 1st by MB

Check signing. Two signatures required. Treasurer and Executive Director.

Payroll (by finance). Transition to QuickBooks payroll first payroll July. Can purchase independent payroll subscription or be added to MBCo subscription with a substantial discount. Biweekly payroll period. Payroll week starts Sunday and ends following Saturday. Payroll paid by check, to avoid direct deposit charges, following Friday. Nominal charge web based time tracking (might consider web time tracking for students too).

Invoicing (by finance). Begin to do thru QB. Set up of customized invoice and items. Tuition to be invoiced in advance, transportation after the fact.

Receipts (mixed). Deposits made as received by Program Director. Deposit ticket, receipt and copies left for finance. Recorded in QuickBooks by finance.

Collections (mixed). Statements by Finance first week of month. Follow-up as required by Executive Director.

Petty Cash (Program Director). Items under \$25 only. Voucher and recap forms to be created. Suggested balance \$300. Replenishment with recap and vouchers as requested.

Credit Cards (Program Director). To be used for small program purchases such as gas and urgent food purchases only. To be reduced to one card. Residual balance to be liquidated as soon as funds permit. To be limited to items under \$100 with few if an

Checks (finance). Bills received, opened and submitted to finance by Program Director. Regular budgeted items to be processed without further ado. Check request form to be devised and approved by Program Director.

Bank Reconciliation (finance). Limited "look only" bank access. Done at least every two weeks in QuickBooks.

Financial Reporting (finance). Immediate notification by email of any material unusual disbursement and/or receipt to Finance Committee. Quarterly financial statements (consider moving Finance Committee meeting to later part of third week of the month to allow time for financials.

Frequency. It is believed that financial activities can be accomplished by an experienced financial professional one day every two weeks. Remote access to QuickBooks will allow infrequent emergent services.

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INSPIRE
Income and Expense
For

	<u>July</u>	<u>Aug</u>	Comment	Comments
300 · Income				
310 · Tuition Income	131,920.89	124,026.45	A	A = More school days in July
320 · Transportation Income	<u>5,046.00</u>	<u>3,702.00</u>		B = Several staff reductions
	<u>136,966.89</u>	<u>127,728.45</u>		C = No compensation for Exec Director part of July
400 · Program Expenses.				
405 · Program Staff				D & E= Small under and over accruals
410 · Staff Salaries	79,208.78	67,510.73	B	
415 · Payroll Tax Expense	6,776.40	5,637.20		
420 · Health Insurance	4,752.23	6,236.73		
425 · Education & Training	<u>380.00</u>	<u>0.00</u>		
	91,117.41	79,384.66		
440 · Occupational Therapy	3,075.00	3,000.00		
445 · Speech Therapy	2,709.70	1,350.00		
455 · Student Food	1,697.79	750.00		
465 · Student Activities	180.00	97.50		
475 · Credit Card Charges	924.70	959.50		
490 · Vehicle	1,583.83	1,500.00		
495 · Depreciation	<u>2,500.00</u>	<u>2,500.00</u>		
	<u>103,788.43</u>	<u>89,541.66</u>		
	<u>33,178.46</u>	<u>38,186.79</u>		

INSPIRE

Expense

500 · Occupancy			
505 · Rent	5,787.00	5,787.00	
510 · Communications	<u>593.20</u>	<u>587.51</u>	
	<u>6,380.20</u>	<u>6,374.51</u>	
600 · General & Administrative			
602 · Admin Ass't			
605 · Wages	3,300.00	4,800.10	
615 · Allocated Payroll Tax	400.00	(100.00)	
620 · Allocated Health Insurance	<u>250.00</u>	<u>200.00</u>	
	3,950.00	4,900.10	
625 · Executive Director	2,885.00	5,626.52	C
635 · MBCo	4,002.92	3,971.25	
637 · Accounting	1,003.75	0.00	
650 · Computer	1,690.00	0.00	D
670 · Insurance	3,613.00	3,685.75	
675 · Legal Fees	940.00	0.00	E
680 · Interest	191.56	76.41	
685 · Misc	<u>264.45</u>	<u>203.17</u>	
	<u>18,540.68</u>	<u>18,463.20</u>	
	<u>24,920.88</u>	<u>24,837.71</u>	
	8,257.58	13,349.08	
815 Fundraising	<u>100.00</u>	<u>1,100.00</u>	
	<u>8,357.58</u>	<u>14,449.08</u>	

Policy

The budget is a policy document that reflects the goals of the School. It is the policy of the INSPIRE School for Autism to develop a school budget that reflects the School's mission in improving student achievement.

Administrative Responsibility

1. The Board of Directors will develop an annual calendar for budget development. The calendar will provide sufficient time for:
 - establishing budget priorities based on ongoing consultations with school employees, parents, students and other citizens;
 - preparing budget requests by administrators and staff;
2. The Treasurer or their designee will prepare a draft budget based on the input of school, community and Board members.

Approval

The budget will be presented by the Treasurer to the Board of Directors for approval.

Presentation

The board will adopt a budget presentation format which:

1. emphasizes cost-saving measures taken by the school during the current budget period;
2. clarifies budget priorities;
3. indicates anticipated amounts and sources of income;
4. compares costs and budget increases or decreases for specific programs over a period of time;
3. clearly indicates such key budgetary factors as cost per pupil, student-teacher ratios, and tuition;
4. meets all government requirements;
5. reviews the accomplishments of the prior year with regard to student performance and budgetary effectiveness in addressing increased student performance.

Legal Reference(s): 16 V.S.A. § 563 (Powers of Boards)

16 V.S.A. § 165 (a) (1) (Action Plans)

Cross Reference: Financial Management (401)

Financial Accountability (403)

Financial Reports and Statements (404)

The I.N.S.P.I.R.E School for Autism

Title: Financial Management

Policy 401

Date Adopted:

Page 1 of 1

Date Effective:

Policy

It is the policy of The INSPIRE School for Autism to manage its financial affairs in a fair and open manner using acceptable financial practices and providing appropriate accountability.

Administrative Responsibilities

The Treasurer shall establish and maintain an accrual system of accounting for the proper control and reporting of School's finances, and for stating the financial condition of the School.

Guidelines

1. The approved budget will be the spending plan for the year. The Executive Director or their designee is authorized to make commitments in accordance with the budget appropriations.
2. The Audit Committee shall arrange an annual audit of accounts by a certified public accountant.
3. The bidding requirements of 16 V.S.A. §559 will be followed by the Board and its designees.
4. The Treasurer will be responsible for overseeing all accounts.

Legal References:

16 V.S.A. §166 (Approved and recognized independent schools)

Vt. State Board of Education Manual of Rules & Practices §3250

Cross References: Budgeting (402)

Financial Reports and Statements (403)

Policy

It is the ethical and legal duty of all Board members to avoid conflicts of interest as well as the appearance of conflicts of interest.

Definitions

“Conflict of interest” means a situation when a board member’s private interests, as distinguished from the board member’s interest as a member of the general public, would benefit from or be harmed by his or her actions as a member of the board.

Implementation

In order to comply with the obligations thus imposed, the Board and its members will adhere to the following recommended standards.

1. A Board member will not give the impression that he or she would represent special interests or partisan politics for personal gain.
2. A Board member will not give the impression that he or she has the authority to make decisions or take action on behalf of the Board or the school administration.
3. A Board member will not use his or her position on the Board to promote personal financial interests or the financial interests of family members, friends or supporters.
4. A Board member will not solicit or accept anything of value in return for taking particular positions on matters before the Board.
5. A Board member will not give the impression that his or her position on any issue can be influenced by anything other than a fair presentation of all sides of the question.
6. Board members will be familiar with, and adhere to, those provisions of Vermont education law which define School Board powers and govern Board member compensation and public bidding processes.

Avoiding Conflicts

When a Board member becomes aware that he or she is in a position that creates a conflict of interest or the appearance of a conflict of interest as defined in state law or this policy, he or she will declare the nature and extent of the conflict or appearance of conflict for inclusion in the Board minutes, and will abstain from voting or participating in the discussion of the issue giving rise to the conflict.

Complaints of Conflict of Interest

When a conflict of interest claim against a Board member is brought to the Board in writing and is signed by another Board member or a member of the public, and the Board member against whom the

claim is made does not concur that a conflict in fact exists, the following Board procedures will be followed.

1. Upon a majority vote of the remaining Board members, or upon order of the chair, the Board will hold an informal hearing on the conflict of interest claim, giving both the Board member and the person bringing the claim an opportunity to be heard.
2. At the conclusion of the informal hearing, the remaining Board members will determine by majority vote whether to:
 - a. issue a public finding that the conflict of interest charge is not supported by the evidence and is therefore dismissed;
 - b. issue a public finding that the conflict of interest charge is supported by the evidence and that the member should disqualify him or herself from voting or otherwise participating in the Board deliberations or decision related to that issue, as required by Vermont statute; and/or
 - c. issue a public finding that the conflict of interest charge is supported by the evidence and the Board member should be formally censured or subjected to such other action as may be allowed by law.

Legal Reference(s):

16VSA166 (Approved and Recognized Independent Schools)

The I.N.S.P.I.R.E School for Autism

Title: Financial Reports and Statements

Policy 403

Date Adopted:

Page 1 of 1

Date Effective:

Policy

It is the policy of The INSPIRE School for Autism to create financial reports and statements in accordance with generally accepted accounting practices that will allow the administration to demonstrate accountability while providing the Board of Directors with needed information.

Administrative Responsibilities

The Treasurer or their designee shall be responsible for submitting financial reports for all funds to the Board and the Audit Committee.

The Treasurer's report shall be made monthly and include:

1. Cash on hand at the beginning of the month
2. Receipts
3. Disbursements during the month
4. Cash balance on hand at the end of the month
5. Reconciliation with bank statements
6. Monthly financial statements (for month and YTD)
 - a. Balance sheet
 - b. Statement of income expense
 - c. Statement of cash flows

Legal Reference:

16 V.S.A. §166 (Approved and recognized independent schools)

Cross Reference:

Financial Management (401)

Budgeting (402)

MB September 2, 2019

Introduction

The term "occupational fraud" has come to encompass many forms of misconduct in the workplace. Although the legal definition of fraud is very specific, for most people the common use of the word is much broader and generally covers any attempt to deceive, usually to gain a benefit. Expense fraud, forgery, counterfeiting, identity theft, theft of cash and / or inventory, manipulated financial statement . . . the range of possible fraud schemes is actually endless but at their core all involve a violation of trust.

The control of the opportunity to commit and then conceal occupational fraud is really the only element over which an organization can have significant control. Occupational fraud can be broadly said to be a result of a failure in internal controls such as:

- * Supervision and review,
- * Segregation of duties,
- * Management approval and delegation of authority, and
- * System controls.

By far the top three forms of committing occupational fraud are corruption, asset misappropriation and fraudulent financial statements. I have identified none of the first at Inspire and I am certain of the third, making a determination of the middle almost impossible.

It is understood and accepted that it is the responsibility of the I.N.S.P.I.R.E. for Autism ("Inspire") Board of Directors (the "Board") to put in place an appropriate structure and staff to prevent and discover occupational fraud within Inspire.

My Involvement

I am a Certified Public Accountant, licensed by both Vermont and New York, with more than 50 years of working with small businesses, a number of which were schools and /or non - profits. I joined Inspire a bit more than four months ago, having no contact before that.

It was my initial understanding that Inspire wished to "outsource" its bookkeeping and accounting. The plan was for me to devote a day every two weeks to that end. I received no hint of the actual financial and operational challenges Inspire faced.

Upon commencement of my engagement, I was immediately confronted with a lack of established financial procedures needed to reasonably control check signing, payroll, invoicing, receipts, collections, petty cash, credit card use, check issuance, bank reconciliations and financial reporting.

I have since become aware of the State Board of Education's continuing concerns, which I have been asked to address and make suggestions to assuage.

As to Internal Controls and Day to Day Operations

On or about June 1st, I authored a detailed memo which directly addressed each aspect of the financial operations at Inspire. Particular attention was given to segregation of responsibilities and management approval and oversight of daily functions and decisions.

I am pleased to report that these recommendations were easily and promptly implemented. Functions have been distributed amongst four qualified and unrelated individuals. Inspire now has effective financial and administrative operations and real internal controls.

As to Inspire's Financial Statements

It is clear to me that knowingly false financial statements were

prepared and presented to the Board, upon which decisions and plans were made. Inspire's accountants went so far as to write to say that there were not adequate books and records to prepare financial statements and / or tax returns from.

On an ongoing basis that has changed for the better. Inspire now has an up to date QuickBooks accounting file and professionally prepared financial statements have been timely presented to Board for review and consideration.

Recommendation. The Board contains the founders of the organization, a distinguished head of a local law enforcement organization and several others. Their concern with and commitment to Inspire's mission is beyond question. However, none is a financial professional and experienced with the preparation and validation of financial statements.

Therefore, it is suggested that the Board form an audit committee. It might contain a Board member and several financial professionals. Its function would be to first review Inspire's financial statements and meet with Inspire's financial staff to address in detail the source of the numbers presented and any concerns.

Additionally, as finances permit, an independent firm of accountants should be engaged to review financial operations and reports.

As to Other Matters of Concern

Contrary to general belief, external audits cannot and should not be relied on as an organization's primary fraud detection method.

In a recent study, external audits of financial statements were found to be employed by over 80% of victim organizations. More than two-thirds of victim organizations had independent audits of their internal controls. Many organizations of these enterprises were required by regulators or lenders to undergo one or both of these forms of audit.

On the other hand, tips are consistently the most common fraud detection method. In an Association of Certified Fraud Examiners study, less than 10 percent of victim organizations offered rewards to whistleblowers who provided tips. Many organizations do not yet realize the importance of proactive efforts to support and encourage tips in order to effectively detect fraud.

Recommendation. Our staff is the lowest cost and most effective source of fraud detection and protection. To that end, I suggest a periodic and organized communication to employees:

- * Of what we consider fraud,
- * Where to seek confidential advice when faced with uncertain ethical decisions,
- * Our adoption of a zero tolerance fraud policy, and
- * A policy of rewards to whistleblowers

To this end, I suggest the publication to staff of a hotline and email address to connect with our audit committee and management's support and reward of whistleblowers. Again, the professionals on the audit committee will take the place of well meaning members of the Board.

Conclusion

Profitability and fiscal validity have been restored at Inspire. It is then the mission of the Board to ensure the continuance of what has been accomplished. The discussion and suggestions in this memo provide a roadmap to that end.

Policy

It is the policy of the INSPIRE School for Autism to encourage and support Board members' efforts to remain knowledgeable about their roles and the issues with which they deal.

Implementation

Individual Board members will take advantage of opportunities to understand their roles, educational issues in general, school programs, State Department of Education functions and legislative activities. The Executive Director and Board Chair will be responsible for assuring that information on leadership development opportunities is available to all members. New members will participate in a Board Member Orientation and other opportunities designed to familiarize themselves with all aspects of Board operation. The Board of Directors will receive annual Board Responsibilities training from an external consultant.

Board members will be familiar with the Vermont Attorney General's publication titled, "Understand your Responsibilities: Guidance for Board Members of Charitable Nonprofit Organizations in Vermont"

Legal Reference(s):

16VSA166 (Approved and Recognized Independent Schools)

**The I.N.S.P.I.R.E. School for Autism
Response for Vermont Agency of Education
9-18-19**

Founded in 2008, The I.N.S.P.I.R.E. School for Autism in Brattleboro, VT, serves adolescents and young adults with autism spectrum disorders, ages 7-22, in a year-round, extended day model which strives to help students achieve their highest potential in leading self-sustaining lives in connection with their home communities. Always serving students with moderate to severe disabilities, The I.N.S.P.I.R.E. School has filled an important niche for families and school districts who seek a cost-efficient alternative to distant, residential schools. With our highly-skilled staff, individualized, data-informed educational strategies, and community-based vocational and co-curricular programming, the I.N.S.P.I.R.E. School helps to keep students close to home when public school programs are unable to provide the year-round consistency and intensity necessary for selected students.

In the Summer of 2015, after impressive dialogues with then Executive Director of the Austine School, William Gurney, The I.N.S.P.I.R.E. School hired Mr. Gurney as Interim Director, along with Interim Assistant Director Ray Stevens, for a one-year period upon the exit of our long-time director. Mr. Gurney's charge was to evaluate and make recommendations regarding the school's structure and practices, and lead a search to hire the next Executive Director. After an exhaustive search, The I.N.S.P.I.R.E. School hired Troy Kennett as Executive Director in the Summer of 2016 due to his exceptional reputation in New Hampshire as a Special Education Director, impressive knowledge of best practices in educational programming for autism spectrum disorders, and because of the school's positive, direct experience with Mr. Kennett as an LEA representing several of our students and families. Mr. Gurney also recommended the promotion of an existing employee to Business Manager, reporting to the Executive Director, to enable the new Executive Director to focus his attention on students and educational programming. Previously, responsibility for financial administration had fallen upon the Director who worked with Pieciak and Associates, our external accounting firm, and the board treasurer.

By all accounts from parents, staff, and board members who had ongoing daily, weekly, and monthly contact with staff and Mr. Kennett, the new Executive Director exhibited exceptional commitment to students, deep expertise in leadership and educational programming, and strong knowledge of special educational law and administration. Significant improvements in student services and progress were quickly recognized. For example, all "paraprofessionals", known as Assistant Educators at The I.N.S.P.I.R.E. School, acquired Registered Behavior Technician credentialing. Students were increasingly placed in successful vocational settings in the community. Technology-enabled data tracking of student IEPs enhanced the speed of progress, and parents enjoyed videotaped examples of student goal-attainment in student progress reports. Cameras were installed throughout the school for safety purposes, a vocational kitchen remodeling project was undertaken to prepare students for life and employment, and the need for and use of physical restraints by staff dropped significantly. Staff and student retention and morale during the first two years of Mr. Kennett's tenure improved significantly.

Having been counseled by the school's attorney to pull back our hands-on engagement with the school, board members felt enough trust to transition to a more conventional model of oversight from 2017 through 2018. This oversight included monthly board meetings with standard agenda items such as: approval of minutes, staffing changes and updates, fundraising,

student progress updates (goal attainment, progress reporting to parents and districts, use of educational technology to improve goal attainment, vocational placements, therapeutic interventions in speech, occupational and physical therapies, vertical and horizontal curricular alignment), financial updates (planned budget versus actual spending, cash flow, outstanding payables and receivables, bookkeeping practices, use of outside vendors). Mr. Kennett and the Business Manager made financial reports together. For example, in June 2018, the Executive Director and Business Manager reported the school finished the 2017/18 academic year with a small margin. In October 2018, the Executive Director and Business Manager reported to the Board that the school had no outstanding payables and was running a budget surplus due to enrollment which was higher than forecast. The board was informed, as well, that an outside bookkeeper had been in place performing bookkeeping duties since June, 2018. The Board was informed that the bookkeeper was supervising journal entries to ensure the Business Manager was accurately capturing this financial activity. In November 2018, the Board was informed that payroll had been moved in-house, with the outside bookkeeper supervising administration of this to ensure accuracy and reliability. With an outside accounting firm in place who had notified board members in the past when operating concerns arose, and under the belief that documentation was in place with the bank limiting access to certain accounts without board approval, and with no alerts from staff, the bank, the accountant, or vendors regarding financial concerns, the board believed our oversight was effective and that The I.N.S.P.I.R.E. school was in good fiscal health.

In October 2018, the Board was informed by Mr. Kennett of an apparent investigation launched by the Vermont Agency of Education (AOE) in response to a report by an individual from a Vermont public school district. Mr. Kennett did not know the focus of the investigation. In November 2018, Mr. Kennett reported that the AOE's inquiry related to failure to report a student incident to Department of Children and Family (DCF), though the incident had been reported to the student's parents and school district. The related employee was placed on administrative leave by the I.N.S.P.I.R.E.'s Board pending further guidance from the AOE as communicated through the school's attorney. The Board also made a resolution reaffirming the requirement to report student incidents to DCF as indicated by Vermont Law. Mr. Kennett and the school's attorney also reported that the AOE was interested in financial questions which had arisen regarding I.N.S.P.I.R.E. The Board notified parents and sending school districts of the AOE's investigation and commitment to providing full cooperation and response. The Board re-engaged Ray Stevens, Ph.D., former Head of the Austin School, as Interim Executive Director, and the board engaged Pieciak & Associates to conduct a financial audit. Dr. Stevens reported significant improvement in staff morale, student progress, and staff skills since his previous engagement with I.N.S.P.I.R.E.

In January 2019, the board received communication from our attorney who had been in communication with a representative of the AOE that the employee on paid administrative leave could return to duty. During the winter of 2019, board members, Mr. Kennett, and accountants at Pieciak and Associates conducted a deep dive into business management practices at The I.N.S.P.I.R.E School and discovered overdrafts, overdue bills, gaps in coverage, and reporting inaccuracies which had not been brought to our attention by internal mechanisms or external partners. Working extraordinarily quickly and via long hours, contact was made with all vendors to determine our status and moved to make all accounts current. When a substantial infusion of funds was required to ensure solvency, board members donated without hesitation, recognizing that 25 staff jobs and 16 students and families were dependent upon the consistent and high-

quality programming delivered by The I.N.S.P.I.R.E. School. The I.N.S.P.I.R.E. School ended its relationship with the Business Manager. The Board also hired Michael Bandler, CPA, as Chief Financial Officer. In Spring 2019, the board conducted an on-site inspection of records to examine receipts for paid bills, bank balances, checks and balances in expense reporting, and verification of proof of insurance coverage and payment, recognizing that examination of original source documents had been a weakness in our prior oversight. Satisfied that all financial obligations had been addressed, the school was solvent, a sustainable budget was in place, and receivables secured, the Board moved to ensure smooth cash flow by securing a line of credit with our bank.

In July 2019, The I.N.S.P.I.R.E. School bid farewell to Mr. Kennett and restored Dr. Stevens as Interim Executive Director. With an effort to improve checks and balances in financial oversight, new Board officers were appointed and charged with strengthening relationships with local accounting and banking partners. Restructuring of financial operations has occurred to ensure that the Chief Financial Officer reports to the Board of Directors and operates independently of the Executive Director. The Board has begun developing new financial policies and internal controls (provided separately), conducted a self-inspection/reflection of the Board's responsibilities, begun seeking an outside consultant to provide board member orientation and training, and continued work to recruit board members to increase our breadth of knowledge and experience. In addition, the Board has ensured that the line of credit cannot be accessed without Board approval. The Board is in the midst of developing an Audit Committee charged with auditing financial records on an ongoing basis. Ideally, this committee will contain professionals with accounting and legal expertise to provide expert oversight of internal financial practices.

Board members of The I.N.S.P.I.R.E. School are grateful for the Agency of Education's inquiry over the past year. Your questions have challenged us to elevate our oversight to ensure protection of the students, staff, and families we are committed to serving.