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Debra Duardo, M.S.W., Ed.D.
Superintendent

March 7, 2023

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Michael H. Fine, Chief Executive Officer
Fiscal Crisis Management and Assistance Team
1300 17th Street – City Centre
Bakersfield, CA 93301

Dear Mr. Fine:

Pursuant to Education Code (EC) 1241.5 (c), the Los Angeles County Superintendent of Schools (LACOE) respectfully requests an extraordinary audit of North Valley Military Institute (NVMI). Based upon our review of receipts and internal documents of NVMI's recent leadership retreat, there is reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices may have occurred that merit examination.

From July 31, 2022, to August 4, 2022, approximately 63 staff and "plus ones" from NVMI attended a leadership retreat at South Point Hotel, Casino & Spa in Las Vegas, NV. On December 8, 2022, our office requested documentation and receipts for all associated activities related to NVMI's Leadership Retreat. Although NVMI staff provided several documents (i.e., internal memorandums, receipts for "staff wellness" activities, invoices for hotel rooms, banquet facilities, and food and beverages), several documents are missing, including a detailed accounting ledger. Based on the review of the partial documents provided, we suspect NVMI mismanaged and misappropriated over \$90,000 of public funds due to imprudent fiscal practices, gifting of public funds, and by misappropriating Local Control Funding Formula (LCFF) monies and Elementary and Secondary School Emergency Relief (ESSER) funding.

As a public educational institution, it is expected for recipients of public funds to use prudent fiscal practices and weigh the cost benefits of travel and events. Based on the lack of documentation, NVMI failed to provide a rationale or justification indicating any associated cost savings by having their leadership retreat in Las Vegas, NV, and acted imprudently by failing to secure competitive quotes for comparable services from other hotels or conference centers.

Furthermore, an internal NVMI document labeled "Staff Bulletin – Week of 18 April 2022", Item 7 Vegas Retreat, states NVMI "will make animal boarding and care available at NVMI expense..." The staff bulletin further indicates, "Those

whose party members choose to participate in daytime family activities, NVMI will pay for (bowling, movies, min[i]-golf, water park, etc.).” and “NVMI will pay for group dinners and activities (such as shows) 31 July, 1 Aug, 2 Aug, and 3 Aug for NVMI Staff and party members who choose to participate in the evening group activities...” When asked how the leadership retreat was funded, specifically the activities, in an email dated Thursday, December 8, 2022, NVMI’s Superintendent specifically states, “We used one-time ESSER dollars for the staff well-being activities.”

NVMI has provided copies of receipts and invoices for staff well-being activities, which include group dinner shows to the Tournament of Kings show at Excalibur Hotel and Casino, copies of concert tickets to The Righteous Brothers, and tickets to America’s Got Talent (AGT). In reviewing NVMI’s ESSER plans, a staff leadership retreat to Las Vegas, NV, is not referenced in their plans, nor are any wellness activities referenced. Given the nature of ESSER funding, the staff well-being activities mentioned above are not an allowable and appropriate use of federal ESSER funds. We strongly suspect non-staff attended nightly evening events; however, given NVMI’s poor record keeping, we are unable to determine the incurred costs for non-employees for these events.

To our knowledge, NVMI has not received any grants or donations to fund a leadership retreat, and given ESSER funds were misappropriated and used to pay for “well-being” activities, we suspect LCFF monies were used to fund all other associated costs of the retreat, including banquet room rentals, hotel rooms, animal boarding and care, and food and beverages for staff and their guests. In our review of receipts, it was noted that daily, from August 1, 2022, to August 4, 2022, NVMI paid for 70 people at breakfast, while only 50 people at lunch, illustrating that NVMI gifted, with public dollars, breakfast for 20 additional people each day of the retreat; it is estimated that approximately \$2,300 for breakfast was incurred by non-employees throughout the duration of the retreat. In addition, there are various receipts for dining activities without proper backup documentation, which merit further examination.

Our office requested a full accounting of NVMI’s Las Vegas Leadership Retreat, including additional receipts for animal care and boarding, staff well-being activities, payroll records, etc.; however, NVMI claims that no animals were boarded and no non-NVMI employees had daily activities paid for, but this appears unlikely given the number of attendees and discrepancies that exists in the dining receipts.

Given the current records reviewed, the confirming email from NVMI’s Superintendent stating ESSER funds were used to pay for well-being activities, lack of documentation, and our suspicion that LCFF monies were used to fund the leadership retreat, we suspect NVMI committed acts of fraud, misappropriation of funds, and that illegal activities may have occurred, therefore warranting our request for an extraordinary audit.

Michael H. Fine, Chief Executive Officer
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We have included copies of all correspondence received from NVMI as of February 8, 2023. Should more documents become available, we will immediately make them available for your review. Should you have any questions or require further information, please contact Mr. Octavio Castelo, Director of Business Advisory Services, at (562) 922-6131 or via email at castelo_octavio@lacoedu.

Sincerely,



Karen Kimmel
Chief Financial Officer
Business Services

KK/OC:vb

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