



STATE OF INDIANA
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September 19, 2013

Charter School Board
21st Century Charter School, Inc.
d/b/a Fall Creek Academy
2540 N. Capital Avenue
Indianapolis, IN 46208

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Pages 3 through 6 contain six audit results and comments. Management's response is on pages 8 through 11.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for 21st Century Charter School, Inc. d/b/a Fall Creek Academy was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and the Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

State Board of Accounts

SUPPLEMENTAL AUDIT REPORT

OF

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

July 1, 2011 to June 30, 2012

Fitzgerald | Isaac LLC
Certified Public Accountants

21ST CENTURY CHARTER SCHOOL, INC.
d/b/a
FALL CREEK ACADEMY

MARION COUNTY, INDIANA

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21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

School Officials

Year Ended June 30, 2012

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Rollin Dick	07/01/11 – 06/30/12
School Leader	Kevin Teasley	07/01/11 – 06/30/12
Treasurer	Dana Johnson	07/01/11 – 06/30/12

The Board of Directors
21st Century Charter School, Inc.

We have audited the financial statements of **21st Century Charter School, Inc. d/b/a Fall Creek Academy** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated July 11, 2013. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

Fitzgerald Isaac LLC

Indianapolis, IN
July 11, 2013

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2012

CREDIT CARD POLICY AND COMPLIANCE

The School utilizes a business credit card with American Express for various purchases. In our audit of credit card activity, we noted the following:

1. Invoice documentation could not be provided in support of all credit card purchases.
2. The authorized use of the credit card was not addressed in a formal policy.

The State Board of Accounts will not take exception to the use of credit cards by a charter school provided the following criteria are observed:

1. The charter school must authorize credit card use through an appropriate policy.
3. The purposes for which the credit card may be used must be specifically stated in the policy...
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track expenses to provide the charter school and other administration with timely and accurate accounting information and monitoring of the accounting system.
7. Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

Year Ended June 30, 2012

PAYROLL POLICIES AND COMPLIANCE

We selected fifteen employees with which to test the process for calculating, accumulating and recording payroll expense. From our examination, the School could not produce an employee contract or other documentation for seven individuals to support their pay rates for 2012.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

The charter school must establish a payroll schedule that details amounts paid annually, biweekly, hourly, etc. for all employees that are not included on a labor contract. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

CAPITAL ASSETS

The School maintains a capital assets record for accounting purposes; however, it has not conducted a physical inventory of such assets as verification of the accounting records.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15).

21ST CENTURY CHARTER SCHOOL, INC.
d/b/a
FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

Year Ended June 30, 2012

RECEIPTS AND DEPOSITS

The School issues receipts for cash payments including extra-curricular activities, school lunch and various other items; however, in our audit, receipt records could not be located in support of school lunch sales and extra-curricular activities.

All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason for the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

TRAVEL CLAIMS

The School reimburses personnel for travel and other school-related expenses, but does not have a formal travel policy.

The charter school must establish a travel policy that details the procedures for an employee to get approval to attend meetings and conferences; must detail when an employee is in travel status; must detail the procedures for employees to get reimbursement for travel expenses; and the policy must establish a reasonable mileage reimbursement rate. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

Year Ended June 30, 2012

TICKET SALES

The School charges admission to certain school events, but does not use pre-numbered tickets or complete the SA-4 Ticket Form Reconciliation. Additionally, funds from such events were maintained in a separate account and not recorded on the School's accounting records.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

All financial transactions pertaining to the charter school must be recorded in the records of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2012

The contents of this report were discussed on August 13, 2013 with Mike Smith (Board Member) and Kyle Rouse (Team CFA Director of Operations). The Official Response has been made a part of this report and may be found on page 8.

21ST CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

MARION COUNTY, INDIANA

Year Ended June 30, 2012

AUDIT RESPONSE

FINDING:

CREDIT CARD POLICY AND COMPLIANCE

The School utilizes a business credit card with American Express for various purchases. In our audit of credit card activity, we noted the following:

- 1.) Invoice documentation could not be provided in support of all credit card purchases.
- 2.) The authorized use of the credit card was not addressed in a formal policy.

The State Board of Accounts will not take exception to the use of credit cards by a charter school provided the following criteria are observed:

- 1.) The charter school must authorize credit card use through an appropriate policy.
- 3.) The purposes for which the credit card may be used must be specifically stated in the policy...
- 6.) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track expenses to provide the charter school and other administration with timely and accurate accounting information and monitoring of the accounting system.
- 7.) Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

RESPONSE:

The School has formally adopted a credit card policy. A credit card log has been established. The principal must approve its use before the card is signed out and any expense is incurred. All receipts must be submitted to the school's Business Manager at the time the card is returned. Under no circumstance will the card be used to bypass the purchase order system. The Board Chair and Treasurer must review and approve all credit card expenses monthly.

FINDING:

PAYROLL POLICIES AND COMPLIANCE

We selected fifteen employees with which to test the process for calculating, accumulating and recording payroll expense. From our examination, the School could not produce an employee contract or other documentation for seven individuals to support their pay rates for 2012.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

The charter school must establish a payroll schedule that details amounts paid annually, biweekly, hourly, etc. for all employees that are not included on a labor contract. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

RESPONSE:

All contracts are now kept at the School level in the employees' personnel files. The School has established a semi-monthly pay schedule for all employees not included on a labor contract. The Principal must sign off on all time cards. The School's Business Manager is required to review and sign off on payroll each pay period to ensure payments are accurate.

FINDING:

CAPITAL ASSETS

The School maintains a capital assets record for accounting purposes; however, it has not conducted a physical inventory of such assets as verification of the accounting records.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15).

RESPONSE:

The School will conduct an asset inventory audit before the end of the calendar year to establish an updated Capital Assets Ledger.

FINDING:

RECEIPTS AND DEPOSITS

The School issues receipts for cash payments including extra-curricular activities, school lunch and various other items; however, in our audit, receipt records could not be located in support of school lunch sales and extra-curricular activities.

All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason for the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

RESPONSE:

The receipt books for lunch sales and extra-curricular activities is maintained by the School's Business Manager. Once a book is empty, it will be filed away in an appropriate manner to be available upon request for the subsequent audit.

FINDING

TRAVEL CLAIMS

The School reimburses personnel for travel and other school-related expenses, but does not have a formal travel policy.

The charter school must establish a travel policy that details the procedures for an employee to get approval to attend meetings and conferences; must detail when an employee is in travel status; must detail the procedures for employees to get reimbursement for travel expenses; and the policy must establish a reasonable mileage reimbursement rate. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

RESPONSE:

The School has formally adopted a travel policy. It is included in the School's Staff Handbook.

FINDING:

TICKET SALES

The School charges admission to certain school events, but does not use pre-numbered tickets or complete the SA-4 Ticket Form Reconciliation. Additionally, funds from such events were maintained in a separate account and not recorded on the School's accounting records.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

All financial transactions pertaining to the charter school must be recorded in the records of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

RESPONSE:

The School has purchased pre-numbered tickets with a different ticket color for each price group. The School will complete the SA-4 Ticket Form Reconciliation after each extra-curricular event. Funds will be deposited into the School's main operating account and recorded on the School's accounting records.