



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43225

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February 14, 2014

Charter School Board
Friends of Canaan, Inc. d/b/a
Canaan Community Academy
8775 N. Canaan Main Street
Canaan, IN 47224

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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 and 4 contain four audit results and comments. Management's response is on page 6.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Friends of Canaan, Inc. d/b/a Canaan Community 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

FRIENDS OF CANAAN, INC.

d/b/a

CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

July 1, 2012 to June 30, 2013

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

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FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

School Officials

Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Rick Clark	07/01/12 – 06/30/13
Chief Academic Officer	Deena Schafer	07/01/12 – 06/30/13
Chief Operating Officer	Robert Moseng	07/01/12 – 06/30/13

The Board of Directors
Friends of Canaan, Inc.

We have audited the financial statements of **Friends of Canaan, Inc. d/b/a Canaan Community Academy** (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated January 7, 2014. 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.



Indianapolis, IN
January 7, 2014

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, it has not performed an 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)

PAYROLL POLICIES AND COMPLIANCE

We selected a sample of fifteen employees from the 2013 fiscal year with which to test the process for calculating, accumulating and recording payroll expense. From this sample, the School could not produce employee time cards in support of the hours worked for the four hourly employees selected. Additionally, the School could not produce documentation to support the pay rates of those employees.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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)

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

Audit Results and Comments, Continued

TRAVEL AND MEETINGS

Employees can claim reimbursement for travel expenses. We examined five employee reimbursement transactions which were supported by proper documentation. However, the school does not have a formal, written travel and employee reimbursement 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)

TEXTBOOK RENTAL AND SCHOOL LUNCH REPORTING

In our audit, we noted the School was unable to produce copies of the Form 521 applications. As such, we were unable to perform any detail testing on the eligibility determinations or the verifications performed.

Charter schools must provide accurate information to the Indiana Department of Education pertaining to the number of students that receive free/reduced textbooks. 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, Part 8)

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 may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

JEFFERSON COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on January 14, 2014, with Tara Hayes (Chief Operations Officer) and Candi Risk (Board Member). The Official Response has been made a part of this report and may be found on page 6.

Canaan Community Academy

8775 N. Canaan Main Street

P.O. Box 20

Canaan, IN. 47224

(812) 839-0003

Date: 01/27/2014

By: Tara Hayes: Chief Operation Officer

RE: Audit Review Improvements

July 2012-June 2013

A. Capital ASSETS

- 1. Canaan Community Academy will do a complete inventory of all capital assets at the end of each school year.*

B. Payroll Policies and Compliance

- 1. All Canaan Community Academy staff will have a Letter of Employment that will show documentation of amount paid annually, biweekly or hourly.*
- 2. Canaan Community Academy will keep all hourly employees time cards for hours worked.*

C. Travel and Meetings

- 1. Canaan Community Academy will work on a formal, written travel and employee reimbursement policy. This policy will include but not limited to employee approval for meetings and conferences, travel status, reimbursement for travel expenses, and mileage reimbursement.*

D. Textbook Rental and School Lunch Reporting

- 1. Canaan Community Academy will keep all copies of the student Form 521 applications (Free/Reduced lunch application and textbook rental).*

Name: Tara Hayes

Title: Chief Operations officer

Date: January 27, 2014