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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

July 2, 2014

Charter School Board  
Career Academy of South Bend, Inc.  
3801 Crescent Circle  
South Bend, IN 46628

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 through 6 contain five audit results and comments. Management's response is on page 8.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for the Career Academy of South Bend, Inc. 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

SUPPLEMENTAL AUDIT REPORT  
OF  
**CAREER ACADEMY OF SOUTH BEND, INC.**  
ST. JOSEPH COUNTY, INDIANA  
July 1, 2012 to June 30, 2013

**CAREER ACADEMY OF SOUTH BEND, INC.**

**ST. JOSEPH COUNTY, INDIANA**

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**CAREER ACADEMY OF SOUTH BEND, INC.**

ST. JOSEPH COUNTY, INDIANA

School Officials

Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Lawrence Garatoni	07/01/12 – 06/30/13
School Leader	Yolanda Turner-Smith	07/01/12 – 06/30/13
Business Manager	William Martindale Kenneth Horvath	07/01/12 – 09/30/12 10/01/12 – 06/30/13

The Board of Directors  
Career Academy of South Bend, Inc.

We have audited the financial statements of Career Academy of South Bend, Inc. (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated April 24, 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  
April 24, 2014

9245 North Meridian Street, Suite 302  
Indianapolis, Indiana 46260  
317-844-8300 Fax 317-848-6555  
[www.fitzgeraldisaac.net](http://www.fitzgeraldisaac.net)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

RECEIPTS AND DEPOSITS

The School collects amounts for various items including textbook fees, uniforms, bus passes, fines and other items. In our sample of 25 cash receipts transactions we noted 11 instances where the bank deposit was not made in a timely manner.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

FORM USAGE

The Indiana State Board of Accounts prescribes various accounting forms to be used by a charter school. We noted that the School does not use the following approved forms:

- Accounts Payable Voucher (Form 523)
- Receipt in Duplicate (Form 517)
- Official Receipt – Individual Textbook Rental List (Form TBR-2)

All charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, if desirable to have a prescribed form modified to conform for computer applications, a letter and copies of the proposed forms may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Officials and 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, Part 10)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2012 to June 30, 2013 revealed that the June 30, 2013 fund balances did not reflect the balances as reported on the books and records. The report did not present certain funds as required, specifically Title II (Fund 4500), Special Education (Fund 5200), and Public Charter School ESEA Title X (Fund 6890).

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

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)

**CAREER ACADEMY OF SOUTH BEND, INC.**

**ST. JOSEPH COUNTY, INDIANA**

**Audit Results and Comments, Continued**

**CREDIT CARD POLICY**

The School utilizes a credit card to make certain purchases. The use of the card appears to be properly controlled and purchases properly documented; however, the School has not adopted a formal policy governing the use of the credit card.

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.
2. Issuance and use shall be handled by an employee designated by the charter school.
3. The purposes for which the credit card may be used must be specifically stated in the policy.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the designated employee.
5. The designated employee must maintain an accounting system or log which would include the names of individuals requesting the usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
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. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

UNCOLLECTIBLE ACCOUNTS

The School provides for textbook rentals to those students that do not qualify for state reimbursement and collects other fees relating to School activities. The School pursues delinquent accounts for collection, but it does not have a formal policy to address uncollectible accounts.

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on June 17, 2014, with Bruce Greenberg (Board Member), Paul Schlottman (Superintendent), and Ken Horvath (Business Manager). The Official Response has been made a part of this report and may be found on page 8.

SOUTH BEND

# CAREER ACADEMY

June 6, 2014

Eugene P. Fitzgerald  
**Fitzgerald | Isaac LLC**  
9245 N. Meridian Street, Suite 302  
Indianapolis, IN 46260

Dear Gene,

Below are our responses to the Supplemental Audit Report for the period July 1, 2012 to June 30, 2013.

**Receipts and Deposits**

Deposits are now being made in a timely manner.

**Form Usage**

The use of the accounts payable voucher has been implemented. The current duplicate receipt form will be replaced by an approved form and the textbook Rental List will be implemented as soon as practical.

**Financial Reporting**

In order to keep FY 2014 consistent, effective July 1, 2014 Title 2 funds will be designated Fund 4500, Special Education funds will be designated Fund 5200 and Title X funds will be designated Fund 6890.

**Credit Card Policy**

The procedures outlined will be implemented as soon as practical.

**Uncollectible Accounts**

A formal procedure will be developed and implemented to address uncollectible accounts.

Sincerely,



Ken Horvath  
Business Manager