



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43936

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

July 25, 2014

Charter School Board
Renaissance Academy, Inc.
4093 West U.S. Highway 20
LaPorte, IN 46350

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 8 contain nine audit results and comments. Management's response is on pages 10 and 11.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Renaissance Academy, 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
RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
July 1, 2012 to June 30, 2013

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Table of Contents

	<u>Page</u>
School Officials.....	1
Transmittal Letter	2
Audit Results and Comments:	
Receipts and Deposits	3
Payroll Policies and Compliance.....	3
Form Usage	4
Vendor Disbursements	5
Employee Reimbursement	6
Uncollectible Accounts	6
Required Reports.....	7
Financial Reporting	7
Eligibility Verifications.....	8
Exit Conference.....	9
Official Response	10-11

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

School Officials

Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Susan Cress	07/01/12 – 06/30/13
Head of School	Kieran McHugh	07/01/12 – 06/30/13
Treasurer	Isis Cains	07/01/12 – 06/30/13

The Board of Directors
Renaissance Academy, Inc.

We have audited the financial statements of **Renaissance Academy, Inc.** (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated March 14, 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
March 14, 2014

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including textbook fees, field trips, enrollment, fundraising and various other items. Procedures were in place to process cash collections; however, we noted 17 instances in our sample of 25 cash receipt transactions where the bank deposit was not made in a timely manner. The average delay was 10-14 days between the date of collection and the date of deposit.

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).

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 seven of the eight hourly 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).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments, Continued

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 prescribed forms:

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

In addition, certain standardized forms in use by the School are not approved by the Indiana State Board of Accounts, including:

- Check in Duplicate (Form 509)

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).

The State Board of Accounts prescribes the required accounting system forms, but does not specify the source from which the forms must be obtained. Therefore, the State Board of Accounts will not take exception to the use of forms which provide exact replications of the prescribed forms created by computer printer or utilizing continuous form computer paper. These exact replications must be identical to the prescribed forms in format, titles and locations of data. The exact replicas are not required to be submitted to the State Board of Accounts for the approval and each form should be identified as “Prescribed by the State Board of Accounts” in the same location as is printed on the prescribed forms. (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).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments, Continued

VENDOR DISBURSEMENTS

We selected and examined a sample of 44 cash disbursement transactions from throughout the year. Within this sample we noted the following:

- The School does not utilize the prescribed accounts payable voucher or approved substitute.
- Full account coding was not documented on the check stub beyond the indication of the fund used.
- No approvals were indicated on the supporting documentation.

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).

The Accounts Payable Voucher (Form 523)...must be used in accordance with the following conditions: Charter schools may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2).

A fund, as used in the manual, represents money set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments, Continued

EMPLOYEE REIMBURSEMENT

Employees can claim reimbursement not only for travel expenses, but for other purchases as well. We examined five employee reimbursement transactions which were supported by purchase invoices; however, there was no evidence of a written claims form or supervisory approvals.

The charter school shall only reimburse employees for travel expenses when appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

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).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments, Continued

REQUIRED REPORTS

A signed and dated copy of the ADM Report was not maintained by the building level administrator.

The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

FINANCIAL REPORTING

The School submitted its semi-annual financial reports (Form 9) for the fiscal year ended June 30, 2013 as required. However, the reports did not properly reflect fund balances of the federal grants, specifically Title I (Fund 4120), Title II (Fund 4500) and Facilities (Fund 3956). In addition, the semi-annual financial report for the period January 1, 2013 to June 30, 2013 did not reflect the cash balance as reported on the books and records. The balance reported on Form 9 was higher than the general ledger balance by \$18,838.

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).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Audit Results and Comments, Continued

ELIGIBILITY VERIFICATIONS

In our audit of income eligibility for benefits under the State of Indiana's textbook reimbursement program, the School could not produce evidence that data submitted on eligibility applications had been subject to verification by reference to supporting documentation.

The department shall adopt procedures that must be followed by applicants in order for them to qualify for assistance under this chapter. These procedures must include obtaining information needed by the family and social services administration to determine if the recipient is a child who is a member of a qualifying family (as defined in IC 12-14-28-1), including the familial relationship of the child to the head of the household. The financial eligibility standard for an applicant under this chapter must be the same criteria used for determining eligibility for receiving free or reduced lunches under the national school lunch program. [Indiana Code 20-33-5-2 (Procedures to qualify for assistance)].

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).

An error for purposes of the test-check is an approved application, attempted to be verified that cannot be verified by the program participants with requested income verification information (i.e., paycheck stub, W-2, etc.). Program participants who have an application that cannot be verified are not always dropped from the free and reduced-price meal program and corrections in reporting and additional testing does not always occur. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17).

RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on June 4, 2014 with Kieran McHugh (Head of School) and Lori Gayheart (Administrator). The Official Response has been made a part of this report and may be found on pages 10 and 11.



SUPPLEMENTAL AUDIT REPORT RESPONSES

*RECEIPTS AND DEPOSITS

While it is the Administrative Assistant who typically receives payments and writes receipts to parents, it is the accountant who officially records and tracks all dollars into the correct fund. Monies received by the front office always have a receipt attached to them with a detailed explanation.

The accountant employed by Renaissance is part-time. It is cost and time prohibitive for a bank deposit to be made every day. Moving forward deposits will routinely be made every week.

*PAYROLL POLICIES AND COMPLIANCE

Renaissance was unaware time cards had to be maintained beyond the end of the school year until audited. Time cards will be maintained for each employee as required until audited.

*FORMS USAGE

Renaissance is a small school community with a limited number of trusted staff members carefully making conscientious purchases with the ultimate goal of providing an excellent education to every student enrolled while being good stewards of public dollars. Due to the size these expenditures have been easy to properly track and manage. The paper trail required by SBOA makes a lot of sense for a huge school corporation, but is not very practical for a small school trying to frugally and wisely use time, space and money. The use of Vouchers for every check issued would require excessive amounts of time: to prepare, fill-out and file forms, space: to store the excessive amount of paper, and money: to excessively pay people to prepare, fill-out and file these forms. This process would truly be both archaic and irresponsibly wasteful when considering we are a digital world trying to reduce its use of natural resources and streamline its processes. Renaissance will submit forms currently used in lieu of state prescribed forms to the SBOA for approval and will make every reasonable effort to use all forms required by the state.

*VENDOR DISBURSEMENTS

See response to FORMS USAGE. At Renaissance Academy no disbursements are made without sufficient documentation of the validity of the expenditure. All required documentation was produced for review by the auditors during the audit. In the one instance noted, the documentation was not attached to the check stub. Renaissance will make every effort to ensure invoices/bills are attached to every single disbursement and that all required information is included on the duplicate check.

4093 West US20, LaPorte, Indiana 46350
(219) 878-8711 www.rschool.net info@rschool.net

*EMPLOYEE REIMBURSEMENT

See response to FORMS USAGE.

*UNCOLLECTIBLE ACCOUNTS

Renaissance will put in writing its procedure for writing off delinquent accounts/bad debts.

*FINANCIAL REPORTING

Renaissance provides the education needed by each student regardless of whether funds such as Title I or II are available. Most often, this means Title I/II dollars are received "after the fact" and then approved expenditures are transferred retroactively from the General Fund to the appropriate Title Fund. In addition, it was communicated to Renaissance both by a SBOA auditor and DOE Finance staff member that it was not allowed to have a negative fund balance because schools are required to use cash basis, not accrual, accounting.

During the audited period, Title I funds were received on 12/31/12 and applied retroactively to approved expenditures made between January 2012 and June 2012, this making it not possible to show on the Form 9 submitted in January 2013 or the prior one submitted in July 2012. No funds for Title II were received during the audited period to show on the Form 9 for those periods.

According to Fitzgerald Isaac, it is no longer the case that Funds are not allowed to have a negative balance. When Renaissance knows it has a grant approved for funding just waiting reimbursement, it will expend dollars appropriate to that fund from that fund even if it creates a negative fund balance so long as this does not interfere with the submission of its Form 9.

REQUIRED REPORTS

A signed and dated copy of the ADM Report will be maintained as required until audited.

Submitted by:



Lori Gayheart
Chief Administrator

*This comment, and response, was included in the 2012 audit, which took place in June of 2013. Due to the timing of that audit, implementation of corrections was not yet possible.