



STATE OF INDIANA
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August 20, 2014

Charter School Board
Timothy L. Johnson Academy, Inc.
4625 Werling Drive
Fort Wayne, IN 46806

We have reviewed the Supplemental Audit Report prepared by Darnell & Meyering, P.C., 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 5 contain four audit results and comments. Management's response is on page 7.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Timothy L. Johnson 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
TIMOTHY L. JOHNSON ACADEMY, INC.
ALLEN COUNTY, INDIANA
July 1, 2012 to June 30, 2013

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

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TIMOTHY L. JOHNSON ACADEMY, INC.
ALLEN COUNTY, INDIANA
School Officials
Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President Board of Directors	Rev. Mike Nickleson	07/01/12 - 06/30/13
Superintendent	Steve Bollier	07/01/12 - 06/30/13
Treasurer	Ian Rolland	07/01/12 - 06/30/13

DARNELL & MEYERING, P.C.

Certified Public Accountants

CLINTON MEYERING, C.P.A.
RANDALL H. DARNELL, C.P.A.
DALE A. VESTRAND, C.P.A.
WENDY L. DANVILLE, C.P.A.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Timothy L. Johnson Academy, Inc.

We have audited the financial statements of Timothy L. Johnson Academy, Inc. (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated August 4, 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. Our procedures were substantially narrower in scope than an audit. Accordingly, we do not express an opinion on the School's compliance with these requirements.

The results of our tests disclosed instances of non-compliance with the requirements prescribed under the Guide. These instances are reported in the Audit Results and Comments as matters where we believe the School was not in compliance with those provisions.

Darnell & Meyering, P.C.

Darnell & Meyering, P.C.

Taylor, MI
August 4, 2014

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

JOURNAL ENTRIES AND TRANSACTION RECORDING

Description: We performed various audit procedures to test revenue and receivables. Our test procedures were designed to test the completeness, timeliness, and accuracy of the recorded revenue and receivables as well as considering potentially unrecorded transactions. As a result of our audit procedures, several journal entries that were material, both individually and in the aggregate, were required in order to prevent the financial statements from being materially misstated.

Condition: The School did not evaluate the effects of legislative changes, which are described in Note 10 of the notes to the financial statements for the year ended June 30, 2013, on the effects on the School's statement of financial position, statement of activities, and cash flows. Separately, management did not prepare and record the journal entries to accrue federal grant receivables and the related federal grant revenues in the proper period.

Requirements:

Part 10 of the Indiana Charter School Manual includes the following requirements:

“Timely Recordkeeping: All documents and entries to records shall be done in a timely manner to ensure that accurate financial information is available to allow the charter school to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law.”

“Transaction Recording: All financial transactions pertaining to the charter school must be recorded in the records of the charter school.”

Accounting principles generally accepted in the United States of America as applied to non-profit organizations require revenue and expense transactions to be recorded in the proper period.

Recommendation: We recommend that the School prepare and record all journal entries that are required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

PRIOR PERIOD ADJUSTMENT AND CAPITAL ASSET INVENTORY

Description: We performed various audit procedures to evaluate whether or not fixed assets were properly reported in the financial statements. Our audit procedures included obtaining copies of the titles of significant assets that are owned by the School, and these procedures identified two school buses that the School owns that were not recorded in the financial statements and capital asset records. A material prior period adjusting journal entry was necessary in order to properly record fixed assets in the financial statements.

Condition: The School maintains a record of capital assets. However, it has not performed a physical inventory of its capital assets in the current or prior fiscal year as a means to verify the asset records. Effective July 1, 2012, the School changed from the cash basis of accounting to the accrual basis of accounting as required by generally accepted accounting principles as applied to non-profit organizations. The School purchased two school buses in fiscal years 2008 and 2010, respectively. The school buses were not identified or recorded while preparing the adjusting journal entries to convert the financial statements from the cash basis to the accrual basis

Requirement: “Every charter school must have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory must 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).

Recommendation: We recommend that the School perform annual fixed asset inventories on the applicable Prescribed Form 369 Capital Assets Ledger.

TIMELINESS OF GRANT REIMBURSEMENT REQUESTS

Description: We performed audit procedures to reconcile federal grant revenues with federal grant expenses to verify that transactions were recorded at the correct amounts and in the proper period. We found that the School had not submitted reimbursement requests for the Federal Title II and Title VB Grants until a significant amount of time had passed subsequent to the School’s fiscal year end. The School was still able to submit the reimbursement requests within the period of availability. However, untimely reimbursements can negatively affect the School’s cash flows and possibly lost revenue if the period of availability closes.

Requirement: Part 10 of the Indiana Charter School Manual includes the following requirements:

“Transaction Recording: All financial transactions pertaining to the charter school must be recorded in the records of the charter school.”

“Federal and State Agencies – Compliance Requirements: 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.”

Recommendation: We recommend that the School review federal expenses, grant awards, and reimbursement requests monthly to ensure that they are completed and submitted in a timely manner.

FORM USAGE

Description: We selected a random sample of cash disbursement transactions to test internal controls, compliance with form usage requirements, proper approval, and proper supporting documentation. As part of our test, we inquired of management regarding usage of Prescribed Form 98 Purchase Order, Ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances (Form 512) and Accounts Payable Voucher Form 523. The School does not use these prescribed forms.

Requirements: Parts 2 and 8 of the Indiana Charter School Manual includes the following requirements:

“Purchase Order (General Form 98): The Purchase Order (General Form 98) form in triplicate is prescribed for the placing of orders for school supplies, materials, goods and equipment. The original (with a claim blank) is forwarded to the vendor, the duplicate is filed in the ordering department or school to be used as a receiving copy and the triplicate is retained in the file of the business office as a public record. The purchase order should show the amount of the purchase, if known, or if not known and estimate should be made. The actual or estimated amount should be posted as an encumbrance to the Ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances (Form 512) in the “Value of Purchase Orders Encumbered” column and added to the amount in the “Value of Purchase Orders Outstanding” column of the Expenditure Account concerned and carried in accumulated totals to the corresponding column of the program account.”

“Accounts Payable Voucher (Form 523): The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form 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 service; (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 Reporting: “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.

Recommendation: We recommend that the School use all required prescribed forms or obtain approval to use alternate forms.

TIMOTHY L. JOHNSON ACADEMY, INC.
ALLEN COUNTY, INDIANA
Exit Conference
Year Ended June 30, 2013

The contents of this report were discussed on July 31, 2014 with:

Ian Rolland, Treasurer

Steve Bollier, Treasurer

The Official Response has been made a part of this report and may be found on the following page.

TIMOTHY L. JOHNSON ACADEMY, INC.

ALLEN COUNTY, INDIANA

Official Response

Year Ended June 30, 2013

JOURNAL ENTRIES AND TRANSACTION RECORDING

The management company will evaluate all known relevant factors and review all financial information at year-end to ensure that any required journal entries will be recorded prior to commencement of the yearly audit.

PRIOR PERIOD ADJUSTMENT AND CAPITAL ASSET INVENTORY

The School now has a process in place to perform an annual inventory of fixed assets. All identifiable capital assets will be recorded and depreciated properly in accordance with accounting principles generally accepted in the United States of America.

TIMELINESS OF GRANT REIMBURSEMENT REQUESTS

The School is certainly desirous of obtaining all allowable grant funds in a timely manner. Grant expenses will be reviewed and grant reimbursement requests will be submitted on a monthly basis to ensure that grant funds flow in a timely manner.

FORM USAGE

While the School does not currently use the Accounts Payable Voucher (Form 523), all information and documentation necessary for payment of a claim is present and approved by the appropriate officials. The School will contact the State Board charter schools personnel to seek an alternative method of adhering to the compliance guidelines.