



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44407

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

November 7, 2014

Charter School Board
Smith Academy for Excellence, Inc.
725 West Washington Boulevard
Fort Wayne, IN 46802

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 three 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 Smith Academy for Excellence, 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
SMITH ACADEMY FOR EXCELLENCE, INC.
ALLEN COUNTY, INDIANA
July 1, 2012 to June 30, 2013

SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

Table of Contents

	<u>Page</u>
School Officials	1
Transmittal Letter	2
Audit Results and Comments:	3
Journal Entries and Transaction Recording	3
Timeliness of Grant Reimbursement Requests	4
Form Usage	5
Exit Conference	6
Official Response	7

SMITH ACADEMY FOR EXCELLENCE, INC.
ALLEN COUNTY, INDIANA
School Officials
Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President Board of Directors	Dr. Hans Sheridan	07/01/12 - 06/30/13
Superintendent	Steve Bollier	07/01/12 - 06/30/13
Treasurer	Remound Wright	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.

20500 EUREKA ROAD - SUITE 300
TAYLOR, MI 48180
(734) 246-9240
FAX (734) 246-8635

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

The Board of Directors
Smith Academy For Excellence, Inc.

We have audited the financial statements of Smith Academy For Excellence, Inc.(the “Academy”) as of and for the year ended June 30, 2013 and have issued our report thereon dated October 21, 2014.

As part of our audit, we tested the Academy’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 Academy’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 Academy was not in compliance with those provisions.

Darnell & Meyering, P.C.

Taylor, MI
October 21, 2014

SMITH ACADEMY FOR EXCELLENCE, 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, one journal entry was material, and the total of all entries in the aggregate were material, and were required in order to prevent the financial statements from being materially misstated.

Condition: 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 management of the Academy 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.

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 Academy had not submitted reimbursement requests for the Federal Title I, Federal Title II-A and Federal IDEA Grants until a significant amount of time had passed subsequent to the Academy's fiscal year end. The Academy was still able to submit the reimbursement requests within the period of availability. However, untimely reimbursements can negatively affect the Academy'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, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies. Charter schools shall file accurate reports required by federal and state agencies.

Recommendation: We recommend that management 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 and Accounts Payable Voucher Form 523. The Academy does not use these prescribed forms.

Requirements: Cash disbursement transactions are subject to review and approval by School officials and account coding by management company personnel. However, the School does not use the Accounts Payable Voucher (Form 523) as required to document these actions. 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 Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2).

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).

The State of Indiana allows charter school academies to have a prescribed form modified to conform for computer applications. However, the Academy needs to submit copies of the proposed forms for approval by the State Board of Accounts.

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

SMITH ACADEMY FOR EXCELLENCE, INC.
ALLEN COUNTY, INDIANA
Exit Conference
Year Ended June 30, 2013

The contents of this report were discussed on September 11, 2014 with:

Hans Sheridan, President

Corey Smith, Chief Academic Officer

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

SMITH ACADEMY FOR EXCELLENCE, 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.

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.