



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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January 23, 2015

Charter School Board
Dr. Robert H. Faulkner Academy, Inc.
1111 West 2nd Street
Marion, IN 46952

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 finding in the report. Pages 3 and 4 contain three audit result and comment. Management's response is on page 6.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Dr. Robert H. Faulkner 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

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

July 1, 2013 to June 30, 2014

Fitzgerald | **Isaac** LLC
Certified | Public Accountants

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

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DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

School Officials

July 1, 2013 to June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Jeffrey Breckenridge	07/01/13 – 06/30/14
School Leader	Janice Adams	07/01/13 – 06/30/14
Treasurer	Arthur Faulkner	07/01/13 – 06/30/14

The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.

We have audited the financial statements of **Dr. Robert H. Faulkner Academy, Inc.** (the "School") as of and for the year ended June 30, 2014 and have issued our report thereon dated December 26, 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
December 26, 2014

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

Audit Results and Comments

July 1, 2013 to June 30, 2014

CAPITAL ASSETS

The School maintains a record of capital assets for accounting purposes; however, the School does not routinely conduct a physical inventory of its capital assets as a means to verify its asset 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)

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including curriculum fees, meals, and various other items. Procedures were in place to process cash collections; however, we noted the following exceptions in our sample of 25 cash receipt transactions:

- Lunch money is frequently collected by classroom teachers who remit the funds to the food service manager; however, a receipt is not issued to the teacher transferring the funds.
- Meal payments are deposited prior to a receipt being written.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

Audit Results and Comments

July 1, 2013 to June 30, 2014

PAYROLL POLICIES AND COMPLIANCE

We selected a sample of fifteen employees from the 2014 fiscal year with which to test the process for calculating, accumulating and recording payroll expense. From this sample, the School could not produce time and effort logs or semi-annual certifications in support of the amounts applied for employees to the Title I grant. Additionally, a contract for the 2013-14 academic year was not prepared for the School Leader to document her change in compensation.

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. The organizer must designate an employee to review supporting documentation to ensure payments are accurate and due the employee for services rendered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. Compensation must be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

Exit Conference

July 1, 2013 to June 30, 2014

The contents of this report were discussed on January 7, 2015 with Janice Adams (School Leader), Arthur Faulkner (Board Treasurer), Jim Henry (Food Service Director), and Rogina Banks (Office Manager). The Official Response has been made a part of this report and may be found on page 6.



DR. ROBERT H. FAULKNER ACADEMY

"Stop • Think • Achieve"

January 15, 2015

Fitzgerald Isaac LLC
9425 North Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official Response

Dr. Robert H. Faulkner Academy's response to the audit result is:

- *Capital Assets:*

Dr. Robert H. Faulkner Academy will conduct a physical inventory of assets and verify that those listed are still in use and account for their disappearance. Bookkeeping plus will be informed of any changes to the inventory the Capital Asset Ledger can be updated.

- *Receipts and Deposits: Breakfast and Lunch Payments*

Money is to be placed in a sealed envelope with the student name, date, grade, cash amount or check amount on the outside and placed in a locked box in the Food Service Director's office. Payments will be removed by the Food Service Director and receipts will be written and returned to the student.

- *Payroll Policies and Compliance:*

- a. Time and effort logs and/or semi-annual certifications:

Employees paid with Title 1 grant funds will complete a time and effort log daily to support payments made are only for services rendered. These logs will be used by the School Leader to ensure that payments are accurate.

- b. Contracts:

All employees who have a change in compensation or position will have a new labor contract prepared that will include all compensation and benefits to be paid to the employee.

Thank you for assisting with our audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Janice Adams".

Janice Adams
School Leader

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A School of Choice