



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44937

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March 18, 2015

Charter School Board
Business Consulting, Inc. dba
Indiana Virtual School
510 E. 96th Street
Indianapolis, IN 46240

We have reviewed the Supplemental Audit Report prepared by Charles Madden, PC, Independent Public Accountants, for the period July 1, 2011 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 5 through 8 contain six audit results and comments. Management's response is on pages 10 through 12.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Business Consulting, Inc. dba Indiana Virtual School 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

**BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL**

INDIANAPOLIS, INDIANA

SUPPLEMENTAL AUDIT REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2013 AND JUNE 30, 2012**

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

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BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

SCHOOL OFFICIALS

FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

| <u>Office</u> | <u>Offical</u> | <u>Term</u> |
|---------------------------------|---|--|
| President of Board of Directors | Thomas H. Stoughton | 7/1/11 – 6/30/13 |
| Secretary | Chris King | 7/1/11 – 6/30/13 |
| Treasurer | Lou Moonshower Jim Tilford | 7/1/11 – 6/30/12 7/1/12 – 6/30/13 |
| Members of the Board | Sue Richardson Jeff Sparks Linda Chezem | 7/1/11 – 6/30/13 7/1/11 – 6/30/13 7/1/11 – 6/30/12 |
| Superintendent | Dave Stashevsky | 7/1/11 – 6/30/13 |



The Board of Directors
Business Consulting, Inc. dba
Indiana Virtual School

We have audited the financial statements of Business Consulting, Inc. dba Indiana Virtual School (the "School") as of and for the fiscal years ended June 30, 2013 and June 30, 2012 and have issued our report thereon dated January 22, 2015. 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.

Charles Madden PC

Indianapolis, IN
January 22, 2015

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

AUDIT RESULTS AND COMMENTS

FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

AVERAGE DAILY MEMBERSHIP (ADM) – LACK OF RECORDS

ADM records presented for audit did not contain a written certification of the building level official (Principal, Assistant Principal, etc.) who was responsible for submitting the student list. Also, for the fiscal year ended June 30, 2012, the School could not provide proof of enrollment (transcript, etc.) for four (4) students in which the School claimed ADM. All enrollment folders for fiscal year ended June 30, 2013 were provided (sample of 25).

The organizer shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level administrator (Principal, Assistant Principal, etc.) 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).

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the Charter School because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

ANNUAL REPORT (FORM 9)

The School did not report all figures accurately on their fiscal year June 30, 2013 Form 9, which resulted in a small discrepancy in the June 30, 2013 cash balance according to the School's records. The School failed to report \$19.83 of beginning cash balance, \$60,400 of receipts and \$60,434 of disbursements on Form 9 that were recorded in the School's accounting records.

The School did not report all figures accurately on their fiscal year June 30, 2012 Form 9, which resulted in a small discrepancy in the June 30, 2012 cash balance according to the School's records. The School failed to report \$13.81 of beginning cash balance, \$67,000 of receipts and \$66,993.98 of disbursements on Form 9 that were recorded in the School's accounting records.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC 5-11-1-4. In order to not duplicate efforts, the State Board of Accounts considers the combination of the two 6 month periods for each school year on the Indiana Department of Education's (IDOE) Form 9 Biannual Financial Report as the annual report for charter schools.

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 Charter Schools, Part 9).

CAPITAL ASSETS

We examined the School's inventory of capital assets and noted the following:

- While the School's capital asset ledger lists all assets and values, the values were not recorded on the School's books.
- The School's capital asset ledger also is not on a prescribed or approved form.

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 Manual for Charter Schools, Part 15).

RECEIPTS AND DEPOSITS

We examined all receipts and noted the following for fiscal year June 30, 2013:

- A receipt was issued for only one check received.
- No checks received were recorded using prescribed form 517.

We examined all receipts and noted the following for fiscal year June 30, 2012:

- A receipt was issued for only one check received.
- Checks received, in numerous instances, were deposited later than the next business day. Delays in depositing of up to 28 days were noted.
- No checks received were recorded using prescribed form 517.

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.

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 Manual for Indiana Charter Schools, Part 8).

The form (Form 517) is to be prenumbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school, regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. The original, signed by the treasurer of the charter school, is to be issued to the person paying the money. The duplicate is punched for containing in a post binder and serves as permanent register of receipts. It also serves as a source document for posing to the Ledger of Receipts, the Fund Ledger and to the Treasurer's Daily Balance of Cash and Depositories Record. In the case of county or state distribution of school monies, it is not necessary to mail the original to the distributing agency. (Accounting and Uniform Compliance Manual for Charter Schools, Part 2).

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).

VENDOR DISBURSEMENTS

We examined all cash disbursement transactions throughout the year. We noted the following:

- The School did not obtain approval from the board before payment of any claims during fiscal years ended June 30, 2013 and June 30, 2012.

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).

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).

CASH MANAGEMENT

For the fiscal years ended June 30, 2013 and June 30, 2012, the School did not maintain an insurance policy or cash bond for employees that handled cash.

The organizer shall designate employees who are responsible for handling a majority of the cash receipts, and disbursements for the school. The designated employees must have either a cash bond or an insurance policy on their behalf that protects the charter school from employee theft, fraud, errors and omissions. The cash bond or insurance policy should represent an average amount of cash or receipts on hand during the school year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

EXIT CONFERENCE

FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

The contents of this report were discussed on February 25, 2015 with Tom Stoughton and Chris King. The Official Response has been made a part of this report and may be found on pages 10-12.



510 E. 96th Street, Suite 180 Indianapolis, In 46240 317-581-5355 (P) 317-581-5399 (F)
Dr. Percy Clark, Superintendent www.IndianaVirtual.com

Charles Madden, CPA
850 Fort Wayne Avenue
Indianapolis, IN 46204

Re: Audit Results & Comments FY ending June 30, 2012 and June 30, 2013

Gentlemen,

Having recently received the presentation of the results and comments regarding the audit for Indiana Virtual School, we would like to take this opportunity to respond to the findings by outlining the course of action we will follow to resolve the issues raised by the examiners:

Average Daily Membership

Finding

ADM records did not contain a written certification of the building level official who was responsible for submitting the student list.

Response

Our building level official (principal/admin director) responsible for reporting ADM for the school will provide a written certification of ADM including a statement detailing names and location of the records used to substantiate ADM claim. At a minimum, the statement will include the names and location of the records used to substantiate ADM claimed.

Finding

The school could not provide proof of enrollment for four students claimed on ADM for fiscal year 2012. For fiscal year ending June 30, 2013, it was noted that all ADM records were available for review.

Response

Our building level official has implemented all necessary steps to ensure that every ADM record is accountable and present at it prescribed/noted location. The school will contact the Indiana Department of Education Division of School Finance to determine what they would recommend to resolve any discrepancy this has created.

Annual Report Form 9

Finding

The school failed to report \$13.81 of beginning cash balance \$67,000 of receipts and \$66993.98 of disbursements on Form 9 in the June 30, 2012, cash balance.

The school failed to report \$19.83 of beginning cash balance, \$60,400 of receipts and \$60,434 of disbursements on Form 9 in the June 30, 2013, cash balance.

Response

The school is currently up-to-date and current on its bi-annual Form 9 submissions and is working on compliance with Accounting and Uniform Compliance Manual for Charter Schools, Part 9.

Capital Assets

Finding

While the school's capital asset ledger lists all assets and values, the values were not recorded on the school books. Also, the Asset Ledger is not on a prescribed or approved form.

Response

All school capital assets and values will be recorded in school books on an applicable Capital Asset Ledger. A complete inventory will be taken for good internal control and for verifying account balances carried in the accounting records in accordance with Accounting and Uniform Compliance Manual for Charter Schools, Part 15.

Receipts and Deposits

Finding

For fiscal year June 30, 2012, a receipt was issued for only one check received. Checks received, in numerous instances, were deposited later than the next business day. Delays in depositing of up to 28 days were noted. No checks received were recorded using Form 517.

For June 30, 2013, a receipt was issued for only one check received. No checks received were recorded using prescribed Form 517.

Response

Receipts will be issued and recorded at that time of the transaction – the receipt is immediately prepared and given to the person making the payment using Form 517. All money will be deposited in the designated depository no 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 in accordance with Accounting and Uniform Compliance Manual for Indiana Charter Schools, Part 8. A receipt must be written on the form each time any money is received by the Charter School. The original, signed by the Treasurer of the Charter School is to be issued to the person paying the money.

Vendor Disbursements

Finding

The school did not obtain approval from the Board before payment of any claims during fiscal years June 30, 2012 and June 30, 2013.

Response

Accounts Payable Voucher (Form 523) will be used for all claims. The school will seek prior approval from the Board for any Vendor Disbursements in accordance with Accounting and Uniform Compliance Manual for Indiana Charter Schools, Part 2. All officials and employees will use State Board of Accounts prescribed or approved forms in the manner prescribed in accordance with Accounting and Uniform Compliance Manual for Indiana Charter Schools, Part 10.

Cash Management

Finding

For both fiscal years ending in June 30, 2012 and June 30, 2013, the school did not maintain an insurance policy or cash bond for employees that handled cash.

Response

The school will purchase an insurance policy or cash bond for employees that handle cash in accordance with Accounting and Uniform Compliance Manual for Indiana Charter Schools, Part 8.

Respectfully,



Thomas H. Stoughton
Director
Indiana Virtual School