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April 2, 2015

Charter School Board  
Hoosier Academy Indianapolis  
5640 Caito Drive  
Indianapolis, IN 46226

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 5 contain five 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 Hoosier Academy Indianapolis 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  
**HOOSIER ACADEMY INDIANAPOLIS**  
MARION COUNTY, INDIANA  
July 1, 2012 to June 30, 2013

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

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HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

School Officials

July 1, 2012 to June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Stacie Porter Bilger	07/01/12 – 06/30/13
Superintendent	Lynn Black	07/01/12 – 07/09/12
	Teran Armstrong	08/27/12 – 06/30/13
Treasurer	Andrea Goldwater	07/01/12 – 09/05/12
	William Pate	09/26/12 – 12/21/12
	Brandon Wells	03/13/13 – 06/30/13

The Board of Directors  
Hoosier Academy, Inc.

We have audited the financial statements of **Hoosier Academy Indianapolis** (the “School”) as of and for the year ended June 30, 2013 and have issued our report thereon dated December 16, 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 16, 2014

## HOOSIER ACADEMY INDIANAPOLIS

### MARION COUNTY, INDIANA

#### Audit Results and Comments

July 1, 2012 to June 30, 2013

#### EMPLOYEE BOND

The School did not maintain a cash bond or insurance policy covering any employees handling cash receipts and disbursements during the 2013 fiscal year.

The organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements. 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)

#### CASH RECEIPTS AND DEPOSITS

In our audit, we examined records relating to cash receipts at the school pertaining to such items as lunch fees, exam fees, and other miscellaneous charges. From a sample of 21 cash receipts transactions comprising items from the 2013 fiscal year, we noted the following issues:

- In five instances, the School was unable to provide information that establishes an audit trail to the bank deposit. As such, we were unable to verify that funds were deposited in the form that they were received. All of these transactions were dated before January 2013.
- In nine instances, collections were deposited as long as a month after the date of receipt.

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)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

## HOOSIER ACADEMY INDIANAPOLIS

### MARION COUNTY, INDIANA

#### Audit Results and Comments, Continued

#### CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, the School did not conduct a physical inventory to verify the accuracy of the property record. In addition, a large number of assets with an initial cost of less than \$1,000 have been expensed in accordance with the School's accounting policies. A complete record of assets, whether capitalized or expensed, should be produced and maintained for disaster recovery purposes.

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)

#### PAYROLL COMPLIANCE

The School was unable to provide employment contracts to support employee pay rates. In addition, the School did not maintain attendance records for its employees.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

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)

## HOOSIER ACADEMY INDIANAPOLIS

### MARION COUNTY, INDIANA

#### Audit Results and Comments, Continued

#### CREDIT CARD POLICY AND COMPLIANCE

The School utilized two business credit cards for various purchases. No transactions were made using the credit cards in the fiscal year under audit, so no examination was required. However, it was noted that the School does not have a written policy outlining the guidelines for use of the cards.

The State Board of Accounts will not take exception to the use of credit cards by a charter school provided the following criteria are observed:

1. The charter school must authorize credit card use through an appropriate policy.
2. Issuance and use shall be handled by an employee designated by the charter school.
3. The purposes for which the credit card may be used must be specifically stated in the policy.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the designated employee.
5. The designated employee must maintain an accounting system or log which would include the names of individuals requesting the usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track expenses to provide the charter school and other administration with timely and accurate accounting information and monitoring of the accounting system.
7. Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

Exit Conference

July 1, 2012 to June 30, 2013

The contents of this report were discussed on February 27, 2015 with John Marske (Board President & Finance Committee Member), John Luta (Finance Committee Member), Bryon Ernest (Head of Schools), Cindy Wright (Deputy Regional Vice-President, K12, Inc.), and Russell Roselle (Vice-President of Finance, K12, Inc.). The Official Response has been made a part of this report and may be found on page 7.

**Russell Roselle**  
VP, Finance

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**To:** Eugene P. Fitzgerald, Fitzgerald Isaac LLC

**From:** Russell Roselle, VP Finance, K12 Inc.

**Date:** 2/27/2015

**Re:** Management responses to findings reported in the Hoosier Academy Schools SBOA FY13

EMPLOYEE BOND

The current Head of School, Dr. Byron L. Ernest, is bonded (please see attachment). Management will also work to bond the Operations Manager as well. After the Operations Manager becomes bonded management believes the requirement will be satisfied.

CASH RECEIPTS AND DEPOSITS

The administration is now writing receipts for all cash funds received. Funds are then placed in the school safe and deposited in the bank no later than the following day. All funds are deposited no later than the next calendar business day in the same form in which received and the deposit ticket provides a detailed listing of the deposit.

CAPITAL ASSETS

All of Hoosier's Capital Assets are assigned an asset tag and recorded by serial number in an excel document. Assets are checked and updated on the 20<sup>th</sup> of each month. There is also a user agreement document provided when anyone requests to take equipment home. (Laptops, Printers, Monitors)

PAYROLL COMPLIANCE

The Head of School, Dr. Byron L Ernest, maintains all supporting documentation for payroll to ensure payments are made only for services rendered.

Credit Cards

School credit cards have been destroyed and no school employee is authorized to obtain a new credit card on behalf of the school. Management plans to pay-off the credit card balance and close the account during the 2015 fiscal year.