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June 23, 2015

Charter School Board
Muncie Public Charter School of Inquiry, Inc.
d/b/a Inspire Academy
1620 S. Madison Street
Muncie, IN 47302

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 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 findings in the report. Pages 3 through 7 contain six audit results and comment. Management's response is on paged 9 through 11.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for the Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy 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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

July 1, 2012 to June 30, 2014

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

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

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MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

School Officials

July 1, 2012 to June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair of Board of Directors	Dr. Ron Sloan	07/01/12 – 06/30/14
School Leader	Leslie Draper	07/01/12 – 06/30/14
School Treasurer	Leslie Draper	07/01/12 – 06/30/14

The Board of Directors
Muncie Public Charter School of Inquiry, Inc.

We have audited the financial statements of Muncie Public Charter School of Inquiry, Inc. (the "School") as of and for the years ended June 30, 2014 and 2013 and have issued our report thereon dated May 14, 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.

Fitzgerald Isaac LLC

Indianapolis, IN
May 14, 2015

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Audit Results and Comments

July 1, 2012 to June 30, 2014

REQUIRED REPORTS

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2013 to June 30, 2014. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the total cash balance per the Form 9 did not agree to the cash balance recorded in the accounting records as of June 30, 2014 by the amount of \$1,193.

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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2012 to June 30, 2014

CASH RECEIPTS AND DEPOSITS

The School receives cash for various purposes, including meals, contributions, and student fees. Procedures were in place to process cash collections; however, we noted certain issues with regard to the cash receipts process, specifically:

1. The School did not use pre-numbered cash receipts forms after February 1, 2014.
2. In 11 instances out of the 37 transactions tested, deposit slips and/or bank receipts could not be located.
3. In 6 instances out of the 37 transactions tested, the receipts did not indicate the form of payment (cash, check, or other).

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)

The form 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2012 to June 30, 2014

VENDOR DISBURSEMENTS

In our sample of 46 disbursement transactions, we noted the following concerns:

1. The standard accounts payable voucher (Form 523) was not used to document the payments.
2. There was no evidence of approval by the person processing the vendor invoice or the person certifying the invoice for payment.
3. There was no evidence of the account number to which the expenditure was to be recorded.
4. In 4 instances, sales tax was paid on the purchase.

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)

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)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2012 to June 30, 2014

CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, it has not performed an inventory of such assets as verification of the accounting 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)

CREDIT CARDS

The School has authorized the use of credit cards by two individuals. We examined five monthly credit card payments and noted two instances where the School was assessed interest charges or late fees totaling \$95.

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 an employee shall be the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2012 to June 30, 2014

SCHOOL LUNCH ELIGIBILITY

In our sample of 15 students, we did not identify any issues with regard to eligibility determination; however, we did note that:

1. The student applications were not fully completed by the School official making the eligibility determination.
2. The School conducted the required eligibility verifications, but did not retain evidence of the verification or complete the verification section of the student application.

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

The results of test checks are to be reported to the Indiana Department of Education in accordance with 7CFR 245.6a...An error for purposes of the test-check is an approved application, attempted to be verified that cannot be verified by the program participants with requested income verification information (i.e., paycheck stub, W-2, etc.). (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

DELAWARE COUNTY, INDIANA

Exit Conference

July 1, 2012 to June 30, 2014

The contents of this report were discussed on May 28, 2015, with Leslie Draper (School Leader), Paul Runyon (Director of Finance), Dr. Ron Sloan (Board Chair) and Tracy Osborne (Board Treasurer). The Official Response has been made a part of this report and may be found on page 9.



May 28, 2015

Fitzgerald | Isaac LLC
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

Detailed below is the Official Response to Audit Results and Comments relative to the review of Muncie Public Charter School of Inquiry, Inc.'s (the "School") compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts.

INTRODUCTION

In 2013-2014, Inspire Academy was a new charter school in its first year of operation, with a small enrollment, and with no dedicated business person on staff. So, the School contracted with an outside accounting service company to provide the financial support for the School. This company purported to be a knowledgeable and experienced financial service provider to charter schools, so the School relied on the provider's financial guidance, used their procedures, and expected to be able to rely on them for accurate accounting and reporting, financial compliance with Indiana State Board of Accounts requirements, and for maintenance all necessary records. Unfortunately, the provider was regularly unable to make timely payments—such as those to the School's credit card provider—to provide requested internal reports, to maintain a consistent staff, or to satisfy the School as to the accuracy of financial reports—especially those related to the tracking of grant activity. So, shortly after fiscal 2013-2014—the initial service contract period—the School terminated the provider's services, hired a business person and began the process of bringing the School's accounting in-house.

REQUIRED REPORTS

Audit Result and Comment: The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2013 to June 30, 2014. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the total cash balance per the Form 9 did not agree to the cash balance recorded in the accounting records as of June 30, 2014 by the amount of \$1,193.

Response: All necessary adjustments to correct any inaccuracies in fund activity have been made. Currently, receipts and expenditures reported in all fund accounts accurately reflect the activity in those funds, and the cash balances reported on the School's Form 9 agree with the cash balances recorded in the accounting records.

CASH RECEIPTS AND DEPOSITS

Audit Result and Comment: The School receives cash for various purposes, including meals, contributions, and student fees. Procedures were in place to process cash collections; however, we noted certain issues with regard to the cash receipts process, specifically:

1. The School did not use pre-numbered cash receipts forms after February 1, 2014.
2. In 11 instances out of the 37 transactions tested, deposit slips and/or bank receipts could not be located.
3. In 6 instances out of the 37 transactions tested, the receipts did not indicate the form of payment (cash, check, or other).

Response: Since July, 2014, the School has used sequentially-numbered receipt forms for all cash receipts and has retained copies of all payer receipts, deposit slips, deposited items, and bank receipts. Since July, 2014, all receipts indicate the form of payment (cash, check, or other).

VENDOR DISBURSEMENTS

Audit Result and Comment: In our sample of 46 cash disbursement transactions, we noted the following concerns:

1. The standard account payable voucher (Form 523) was not used to document the payments.
2. There was no evidence of approval by the person processing the vendor invoice or the person certifying the invoice for payment.
3. There was no evidence of the account number to which the expenditure was to be recorded.
4. In 4 instances, sales tax was paid on the purchase.

Response: Since July, 2014, a standard accounts payable voucher (Form 523) has been used to document all cash disbursements, every voucher has been approved and signed by both the School Treasurer and Director of Finance, every voucher indicates the account number to which the expenditure was recorded, and sales tax has not been paid.

CAPITAL ASSETS

Audit Result and Comment: The School maintains a property record for accounting purposes; however, it has not performed an inventory of such assets as verification of the accounting records.



Response: The School will begin performing an annual inventory of all capital assets owned and properly record such inventory.

CREDIT CARDS

Audit Result and Comment: The School has authorized the use of credit cards by two individuals. We examined five monthly credit card payments and noted two instances where the School was assessed interest charges or late fees totaling \$95.

Response: The School is no longer being assessed interest or late fees on its credit card account.

SCHOOL LUNCH ELIGIBILITY

Audit Result and Comment: In our sample of 15 students, we did not identify any issues with regard to eligibility determination; however, we did note that:

1. The student applications were not fully completed by the School official making the eligibility determination.
2. The School conducted the required eligibility verifications, but did not retain evidence of the verification or complete the verification section of the student application.

Response: Since July, 2014, student lunch applications have been fully completed and signed by the School official making the eligibility determination. For the 2014-2015 verification, evidence of eligibility has been retained, and the verification section of the student application was completed.

Sincerely,

A handwritten signature in black ink, appearing to read "Leslie Draper", with a long, sweeping horizontal flourish extending to the right.

Leslie Draper
School Treasurer