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January 21, 2016

Charter School Board  
Avondale Meadows Academy  
3980 Meadows Drive  
Indianapolis, IN 46205

We have reviewed the Supplemental Audit Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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 6 contain five audit results and comments. Management response is on page 8.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Avondale Meadows 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  
**AVONDALE MEADOWS ACADEMY, INC.**  
MARION COUNTY, INDIANA  
July 1, 2014 to June 30, 2015



AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

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AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

School Officials

July 1, 2014 to June 30, 2015

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Charles Garcia	07/01/14 – 06/30/15
School Leader	Kelly Herron	07/01/14 – 06/30/15
School Treasurer	Janie Seivers	07/01/14 – 06/30/15



The Board of Directors  
Avondale Meadows Academy, Inc.

We have audited the financial statements of **Avondale Meadows Academy, Inc.** as of and for the year ended June 30, 2015 and have issued our report thereon dated November 25, 2015. As part of our audit, we tested the organization'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 **Avondale Meadows Academy, Inc.** was not in compliance with those provisions.

*Donovan P.C.*

Indianapolis, IN  
November 25, 2015

AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2014 to June 30, 2015

RECEIPTS AND DEPOSITS

Avondale Meadows Academy, Inc. collects amounts for various purposes including contributions, field trips, fundraisers, school fees, and other items. In our sample of 25 cash receipts transactions at Vision Academy, we noted the following:

- Prenumbered receipts are generally not prepared for payments received unless the payee requests a receipt.
- In instances where receipts were prepared, the documents were not fully completed to indicate the payee.
- In 9 instances, the bank deposit was not made in a timely manner. The length of time between receipt of funds and deposit in the bank ranged from 4 to 45 days.

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 Guidelines Manual for Indiana Charter Schools, Part 8)

AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2014 to June 30, 2015

VENDOR DISBURSEMENTS

We selected a sample of 61 vendor disbursement transactions covering both schools from throughout the year. From this sample, we noted the following:

- The School did not use the SBOA approved accounts payable voucher or a reasonable substitute. Thus it was not practicable to identify that the disbursements were properly approved and certified for payment.
- In two instances, sales tax in the amount of \$78.25 was paid.
- In two instances, late fees in the amount of \$145.45 were paid.

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).

Employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the charter school. Any penalties, interest or other charges paid by the charter school may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

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)

AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2014 to June 30, 2015

CREDIT CARD

Vision Academy utilizes a credit card for certain purchases, the use of which is governed by a formal written policy. In our examination of five credit card payment transactions during fiscal year 2015, we noted that none of the credit card statements were fully supported by individual purchase receipts. For one statement in the amount of \$2,029.93, no individual receipts could be produced. In the other four instances, receipts could not be produced for a number of the purchase transactions.

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)

FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2015 to June 30, 2015 revealed that the financial activity for specific grant funds did not reflect the balances as reported on the books and records. The ending cash balance in total was accurately reported, but the composition by fund did not reflect accurate balances due to misclassification of receipts and expenditures, most notably for the Implementation Grant.

A fund, as used in the manual, represents money set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

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)



AVONDALE MEADOWS ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

July 1, 2014 to June 30, 2015

INCOME ELIGIBILITY

In our examination of the process for determining qualifications for textbooks subsidies, we selected a sample of 30 applications at Vision Academy. From this sample we noted:

- Three instances where the eligibility determination was incorrect based on the reported income.
- The state approved eligibility form (Form 521) was not in use. A substitute form did not make provision for documentation of the eligibility status or identification of the determining official.

Charter schools must provide accurate information to the Indiana Department of Education pertaining to the number of students that received free/reduced textbooks. If a variance occurs between the charter school records and the report provided the IDOE, then written communication must also request a determination if any increases or decreases in funding will result to the charter school because of the variance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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)

AVONDALE MEADOWS ACADEMY

MARION COUNTY, INDIANA

Exit Conference

July 1, 2014 to June 30, 2015

The contents of this report were discussed on November 30, 2015 with Kelly Herron (School Leader), Janie Seivers (Director of Operations), Ian Yearwood (School Leader), Laura Lora (Director of Operations), John Ackerman (Board Member), and Lori Thompson (Contracted Accountant). The Official Response has been made a part of this report and may be found on page 8.



On November 30, 2015 a meeting was held with representatives from both Donovan PC and Avondale Meadows Academy and dba Vision Academy at Riverside (AMA), to discuss the comments made in the FY2015 audit. Below is the official response.

#### RECEIPTS AND DEPOSITS

Avondale Meadows Academy, Inc. collects amounts for various purposes including contributions, field trips, fundraisers, school fees, and other items. In our sample of 25 cash receipts transactions at Vision Academy, we noted the following:

- Prenumbered receipts are generally not prepared for payments received unless the payee requests a receipt.
- In instances where receipts were prepared, the documents were not fully completed to indicate the payee.

**Corrective Action:** Effective 12/1/15, payment envelopes will no longer be used but rather pre-numbered carbon copied receipts will be distributed for all payments received. Each receipt will include the date, payee, amount, and purpose of the payment.

- In 9 instances, the bank deposit was not made in a timely manner. The length of time between receipt of funds and deposit in the bank ranged from 4 to 45 days.

**Corrective Action:** Deposits will be made no later than the end of business on the day following the receipt of funds.

#### VENDOR DISBURSEMENTS

We selected a sample of 61 vendor disbursement transactions covering both schools from throughout the year. From this sample, we noted the following:

The School did not use the SBOA approved accounts payable voucher or a reasonable substitute. Thus it was not practicable to identify that the disbursements were properly approved and certified for payment.

**Corrective Action:** AMA changed bookkeepers and accounting systems on 7/1/15 which allows the business office to produce the SBOA approved voucher on site for every payment made.

In two instances, sales tax in the amount of \$78.25 was paid.  
In two instances, late fees in the amount of \$145.45 were paid.

**Corrective Action:** Internal staffing adjustments have been made in an attempt to address these comments.



It is the practice of AMA to establish accounts with vendors, providing them with the tax exempt documentation for each purchase. Additionally, the tax exempt documentation is made available to all teachers and staff who may make purchases on behalf of the school. According to the Staff Handbook, sales tax is not a reimbursable expense. Invoices are now paid in house, allowing for the timely payment of invoices.

#### CREDIT CARD

Vision Academy utilizes a credit card for certain purchases, the use of which is governed by a formal written policy. In our examination of five credit card payment transactions during fiscal year 2015, we noted that none of the credit card statements were fully supported by individual purchase receipts. For one statement in the amount of \$2,029.93, no individual receipts could be produced. In the other four instances, receipts could not be produced for a number of the purchase transactions.

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)

**Corrective Action:** Effective 7/1/15, credit card statements are reconciled with the receipts monthly and approved by the Director of Operations, School Director, and Board Chair.

#### FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2015 to June 30, 2015 revealed that the financial activity for specific grant funds did not reflect the balances as reported on the books and records. The ending cash balance in total was accurately reported, but the composition by fund did not reflect accurate balances due to misclassification of receipts and expenditures, most notably for the Implementation Grant.

**Corrective Action:** Effective 7/1/15, AMA began using Blackbaud, a fund accounting system which requires that every transaction balance for each fund and grant contract. Therefore all fund balances will be reported correctly on the Form 9 going forward.

#### INCOME ELIGIBILITY

In our examination of the process for determining qualifications for textbooks subsidies, we selected a sample of 30 applications at Vision Academy. From this sample we noted:

- Three instances where the eligibility determination was incorrect based on the reported income.



- The state approved eligibility form (Form 521) was not in use. A substitute form did not make provision for documentation of the eligibility status or identification of the determining official.

**Corrective Action:** Each Textbook Assistance Application, AMA's version of Form 521, is reviewed multiple times and marked with a stamp noting if the applicant's eligibility was approved or denied base on the income information provided and who made the determination.