



STATE OF INDIANA
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June 22, 2016

Charter School Board
Hoosier Academy Indianapolis
2855 N. Franklin Road
Indianapolis, IN 46219

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 5 contain four audit results and comments. Management's response is on pages 7 through 9.

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, INC.
MARION COUNTY, INDIANA
July 1, 2014 to June 30, 2015



HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

Table of Contents

	<u>Page</u>
School Officials	1
Transmittal Letter	2
Audit Results and Comments:	
Cash Receipts and Deposits	3
Vendor Disbursements	3
Credit Card Policy and Compliance	4-5
Textbook Reimbursement	5
Exit Conference	6
Official Response	7

HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

School Officials

July 1, 2014 to June 30, 2015

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	John Marske	07/01/14 – 06/30/15
Head of School	Byron Ernest	07/01/14 – 06/30/15
Treasurer	Bryon Ernest	07/01/14 – 06/30/15



The Board of Directors
Hoosier Academy, Inc.

We have audited the financial statements of **Hoosier Academy, Inc.** as of and for the year ended June 30, 2015 and have issued our report thereon dated May 31, 2016. As part of our audit, we tested Hoosier Academy, Inc.'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 Hoosier Academy, Inc. was not in compliance with those provisions.

A handwritten signature in dark ink that reads 'DONOVAN' in a cursive, slightly stylized font.

Indianapolis, IN
May 31, 2016

HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2014 to June 30, 2015

CASH RECEIPTS AND DEPOSITS

In our audit, we examined records relating to cash received at the schools pertaining to such items as testing, reimbursements, and room rentals. We tested 20 receipts, which constituted all recorded activity for the year. From these cash receipts transactions, we noted the following issues:

- In one instance, the organization was unable to provide deposit a slip to support the bank deposit.
- All receipts were written at the time of deposit and not on the date funds were received. In addition, the receipts were not written to individuals, but were written as a total of all items received from multiple individuals.
- For 13 of the 20 items tested, receipts did not indicate the form of payment (i.e. cash, check, etc.).

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)

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 selected and examined a sample of 57 vendor disbursement transactions from throughout the year. Within this sample we noted sales tax was paid on 7 of the selected transactions.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

CREDIT CARD POLICY AND COMPLIANCE

The School utilized business credit cards for various purchases. In our testing of five credit card payments, we noted that credit card statements and invoices supporting the amounts paid could not be produced. We also noted that the School did 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, INC.

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

TEXTBOOK REIMBURSEMENT

We tested fifteen student applications for compliance with federal income eligibility guidelines. In this sample, the eligibility determinations were accurate, but the application (Form 521) was not completed fully to indicate the responsible person making the determination.

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)

HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2014 to June 30, 2015

The contents of this report were discussed on June 10, 2016 with John Marske (Board Chair), Gary Meyer (Board Treasurer), Bryon Ernest (Head of Schools), Kathy Coe (Operations Manager), David Jenkins (Finance Director, K12, Inc.), Patti Ashley (Finance Manager, K12, Inc.) The Official Response has been made a part of this report and may be found on page 7.

Management Responses to FY2015 Supplemental Audit Report

Title	Finding	Recommendations	Actions	Resolution Date	Contact Person
Cash Receipts and Deposits	<p>In our audit, we examined records relating to cash received at the schools pertaining to such items as testing, reimbursements, and room rentals. We tested 20 receipts, which constituted all recorded activity for the year. From these cash receipts transactions, we noted the following issues:</p> <ul style="list-style-type: none"> • In one instance, the organization was unable to provide deposit a slip to support the bank deposit. • All receipts were written at the time of deposit and not on the date funds were received. In addition, the receipts were not written to individuals, but were written as a total of all items received from multiple individuals. • For 13 of the 20 items tested, receipts did not indicate the form of payment (i.e. cash, check, etc.). 	<p>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)</p> <p>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)</p>	<p>The school revised their cash receipt and deposit procedures to include these recommendations. For bank deposits, a yellow detailed deposit slip is prepared and maintained for each deposit. This is attached to the receipt from the bank and supporting documentation. The original receipt is sent to Bookkeeping Plus. School staff also provides written receipts for all cash and checks received. Receipts provided to the parent or student need to identify the form of payment. These receipts are maintained in the school office and denote whether cash or checks are received.</p>	8/2015	Kathy Coe
Vendor Disbursements	<p>We selected and examined a sample of 57 vendor disbursement transactions from throughout the year. Within this sample we noted sales tax was paid on 7 of the selected transactions.</p>	<p>Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).</p>	<p>The school has a valid sales tax exemption certificate which is used for most purchases. There is a separate sales tax exemption for utility bills, which the school will apply for to avoid these taxes in the future. Total annual sales tax paid to these vendors was less than \$1,000.</p>	6/2016	Kathy Coe
Credit Card Policy and Compliance	<p>The School utilized business credit cards for various purchases. In our testing of five credit card payments, we noted that credit card statements and invoices supporting the amounts</p>	<p>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:</p> <ol style="list-style-type: none"> 1. The charter school must authorize credit card use through an appropriate policy. 	<p>School ended the use of school credit cards, immediately canceling all existing accounts. Purchases are made by check</p>	4/2015	Kathy Coe

Title	Finding	Recommendations	Actions	Resolution Date	Contact Person
	<p>paid could not be produced. We also noted that the School did not have a written policy outlining the guidelines for use of the cards.</p>	<ol style="list-style-type: none"> 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. <p>(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)</p>	<p>or through employee reimbursement.</p>		
<p>Textbook Reimbursement</p>	<p>We tested fifteen student applications for compliance with federal income eligibility guidelines. In this sample, the eligibility determinations were accurate, but the application</p>	<p>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)</p>	<p>The school revised their textbook reimbursement procedures in FY2016 to include the completion of the Form 521.</p>	<p>8/2015</p>	<p>Kathy Coe</p>

Title	Finding	Recommendations	Actions	Resolution Date	Contact Person
	(Form 521) was not completed fully to indicate the responsible person making the determination.				