



STATE OF INDIANA
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B47800

STATE BOARD OF ACCOUNTS
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March 14, 2017

Charter School Board
Dugger Union Community School Corporation
7356 E Co RD 50 S
Dugger, IN 47848

We have reviewed the Supplemental Audit Report prepared by Donovan PC, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 4 contain three audit results and comments.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Dugger Union Community School Corporation 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
DUGGER UNION COMMUNITY SCHOOL CORPORATION

SULLIVAN COUNTY, INDIANA

July 1, 2015 to June 30, 2016



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DUGGER UNION COMMUNITY SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Kyle Foli	07/01/15 – 06/30/16
Treasurer	Debra Ellis	07/01/15 – 08/30/15
	Sarah Grissom	09/01/16 – 01/31/16
	Tina Hubbard	02/01/16 – 06/30/16
Principal	Ross Martin	07/01/15 – 06/30/16



The Board of Directors
Dugger Union Community School Corporation

We have audited the financial statements of Dugger Union Community School Corporation, (the "School") as of and for the year ended June 30, 2016, and have issued our report thereon dated December 21, 2016. 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.

DONOVAN

A handwritten signature in dark ink that reads 'Donovan' in a cursive script.

Indianapolis, Indiana
December 21, 2016

www.cpadonovan.com

Avon Office | 5151 E. U.S. HWY 36 Avon, IN 46123 | 317.745.6411

Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

DUGGER UNION COMMUNITY SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

CASH RECEIPTS AND DEPOSITS

The School did not begin the year using receipt books and writing receipts for the cash collected until late in the current school year when management received the appropriate training from INI about the requirement.

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)

VENDOR DISBURSEMENTS

We selected a sample of 31 expense transactions. From our sample, we noted that the School was unable to provide Form 523 AP Vouchers for three transactions, and therefore we were unable to determine the expense was approved before payment. Additionally, we identified eight transactions where no invoice or supporting documentation could be provided to support the amount of the expense.

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)

DUGGER UNION COMMUNITY SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

CREDIT CARD POLICY

The School does have a credit card that is used for general expenditures. Since the School was a first year school during the 2015-2016 school year, the School did not have a formal credit card policy in place to authorize the use of the card.

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)

DUGGER UNION COMMUNITY SCHOOL CORPORATION
SULLIVAN COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 15, 2016 with Ross Martin (Principal), Kylee Knoepfle (Board of Directors Member), Tina Hubbard (Business Manager), and Tamara Chaney (INI Bookkeeper). The Official Response has been made a part of this report and may be found on page 6.



DUGGER UNION COMMUNITY SCHOOL

Donovan CPAs
9345 N. Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official response to Indiana State Board of Accounts compliance finding:

RECEIPTS AND DEPOSITS

Finding:

The School did not begin the year using receipt books and writing receipts for the cash collected until late in the current school year when management received the appropriate training from INI about the requirement.

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)

School Response:

At this time, Dugger Union Community School Corporation creates handwritten receipts, using an Adams product, that has carbon copies. We use this system for most of our transactions. The exception would be for our textbook rental fees that we collect. In this instance, we print receipts off of our Harmony student management program.

VENDOR DISBURSEMENTS

Finding:

We selected a sample of 31 expense transactions. From our sample, we noted that the School was unable to provide Form 523 AP Vouchers for three transactions, and therefore we were unable to determine the expense was approved before payment. Additionally, we identified eight transactions where no invoice or supporting documentation could be provided to support the amount of the expense.

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)

School Response:

At this time, Dugger Union Community School Corporation has developed a system which needs the criteria listed above. We have reviewed our current system with Donovan and it has met the criteria that is set forth by the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2.

CREDIT CARD POLICY

Finding:

The School does have a credit card that is used for general expenditures. Since the School was a first year school during the 2015-2016 school year, the School did not have a formal credit card policy in place to authorize the use of the card.

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:

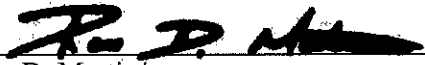
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2. Issuance and use shall be handled by an employee designated by the charter school.
3. The purposes for which the credit card may be used must be specifically stated in the policy.
4. When the purpose for which the credit card has been issued has 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.
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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)

School Response:

At this time, Dugger Union Community School Corporation has developed a credit card policy based off of a template provide by INI that meets the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10. The policy will be approved during the January 2017 DUCS open board meeting.

Sincerely,



Mr. Ross D. Martin/
Dugger Union Community Schools, Principal

12-21-16
Date