



**STATE OF INDIANA**  
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May 19, 2015

Charter School Board  
Smith Academy for Excellence, Inc.  
725 West Washington Boulevard  
Fort Wayne, IN 46802

We have reviewed the Supplemental Audit Report prepared by Darnell & Meyering, P.C., Independent Public Accountants, for the period July 1, 2013 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 and 4 contain two audit results and comments. Management's response is on page 6.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Smith Academy for Excellence, Inc. 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  
**SMITH ACADEMY FOR EXCELLENCE, INC.**  
ALLEN COUNTY, INDIANA  
July 1, 2013 to June 30, 2014

SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

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SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

School Officials

Year Ended June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
President Board of Directors	Dr. Hans Sheridan	07/01/13 - 06/30/14
Superintendent	Steve Bollier	07/01/13 - 06/30/14
Treasurer	Remound Wright	07/01/13 - 06/30/14

**DARNELL & MEYERING, P.C.**  
*Certified Public Accountants*

CLINTON MEYERING, C.P.A.  
RANDALL H. DARNELL, C.P.A.  
DALE A. VESTRAND, C.P.A.  
WENDY L. DANVILLE, C.P.A.

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors  
Smith Academy For Excellence, Inc.

We have audited the financial statements of Smith Academy For Excellence, Inc. (the "Academy") as of and for the year ended June 30, 2014 and have issued our report thereon dated March 31, 2015.

As part of our audit, we tested the Academy'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. Our procedures were substantially narrower in scope than an audit. Accordingly, we do not express an opinion on the Academy's compliance with these requirements.

The results of our tests disclosed instances of non-compliance with the requirements prescribed under the Guide. These instances are reported in the Audit Results and Comments as matters where we believe the Academy was not in compliance with those provisions.

Darnell & Meyering, P.C.

*Darnell & Meyering, P.C.*

Taylor, MI  
March 31, 2015

SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2014

FORM USAGE

**Description:** We selected a random sample of cash disbursement transactions to test internal controls, compliance with form usage requirements, proper approval, and proper supporting documentation. As part of our test, we inquired of management regarding usage of Prescribed Form 98 Purchase Order and Accounts Payable Voucher Form 523. The Academy does not use these prescribed forms.

**Requirements:** Cash disbursement transactions are subject to review and approval by School officials and account coding by management company personnel. However, the School does not use the Accounts Payable Voucher (Form 523) as required to document these actions. The form 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 service; (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).

All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason for the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

The State of Indiana allows charter school academies to have a prescribed form modified to conform for computer applications. However, the Academy needs to submit copies of the proposed forms for approval by the State Board of Accounts.

**Recommendation:** We recommend that the Academy use all required prescribed forms or obtain approval to use alternate forms.

## PAYROLL PROCEDURES

**Description:** We selected a random sample of employees to test internal controls, compliance with payroll procedure requirements, proper approval, and proper supporting documentation. As part of our test, we inquired of management regarding usage of employee contracts. The Academy did not have employee contracts in place for several employees that we selected for testing.

**Requirements:** All compensation and benefits paid to employees must be included in the at-will employment agreement or letter, or labor contract or salary schedule, unless otherwise authorized by statute. All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. Compensation shall be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

**Recommendation:** We recommend that the Academy prepare employment agreements or letters for all employees prior to the start of each school year or whenever a change occurs to the terms of employment.

SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2014

The contents of this report were discussed on March 11, 2015 with:

Hans Sheridan, President

Remound Wright, Treasurer

Corey Smith, Chief Academic Officer

The Official Response has been made a part of this report and may be found on the following page.

SMITH ACADEMY FOR EXCELLENCE, INC.

ALLEN COUNTY, INDIANA

Official Response

Year Ended June 30, 2014

FORM USAGE

While the School does not currently use the Accounts Payable Voucher (Form 523), all information and documentation necessary for payment of a claim is present and approved by the appropriate officials. The School will contact the State Board charter schools personnel to seek an alternative method of adhering to the compliance guidelines.

PAYROLL PROCEDURES

The School has prepared employment agreement letters for the subsequent school year for all school employees. Additionally, employment agreement letters will be updated whenever there is a change to the terms of the initial letter during the school year.