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February 25, 2013

Charter School Board
Hoosier Academy Indianapolis
5640 Caito Drive
Indianapolis, IN 46226

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2010 to June 30, 2012. 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 four 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 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.

State Board of Accounts

SUPPLEMENTAL AUDIT REPORT
OF
HOOSIER ACADEMY INDIANAPOLIS
MARION COUNTY, INDIANA
July 1, 2010 to June 30, 2012

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

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HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

School Officials

Years Ended June 30, 2012 and 2011

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Stacie Porter Bilger	07/01/10 – 06/30/12
Superintendent	Lynn Black	07/01/10 – 06/30/12
Treasurer	Andrea Goldwater	07/01/10 – 06/30/12

The Board of Directors
Hoosier Academy, Inc.

We have audited the financial statements of **Hoosier Academy Indianapolis** (the "School") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated December 17, 2012. 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.



Indianapolis, IN
December 17, 2012

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

Audit Results and Comments

Years Ended June 30, 2012 and 2011

CASH RECEIPTING AND DEPOSITING

In our audit, we examined records relating to cash receipts at the school pertaining to such items as lunch fees, exam fees, and other miscellaneous charges. From a sample of 50 cash receipts transactions comprising items from the 2011 and 2012 fiscal years and, we noted the following issues:

- The School was unable to provide information for seven receipts that establishes an audit trail to the bank deposit. As such, we were unable to verify that funds were deposited in the form that they were received. All of these came after February 2012.
- We found sixteen instances of funds not being timely deposited.

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 4)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, the School did not conduct a physical inventory to verify that the assets are still in use. In addition, a large number of assets with an initial cost of less than \$1,000 have been expensed in accordance with the School's accounting policies. A complete record of assets, whether capitalized or expensed, should be produced and maintained for disaster recovery purposes.

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

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)

PAYROLL COMPLIANCE

In our audit, we tested payroll processes and compliance with guidelines. In our sample of thirty employees selected for testing, the School was unable to provide employment contracts to support employee pay rates for twenty-three. In addition, the School did not maintain attendance records for its employees.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

BONDING

The School had two employees who were designated for handling cash receipts and disbursements. For the individual designated as the Treasurer, we were provided a bond that expired May 2011. No documentation of bonding for the Treasurer to cover the 2012 fiscal year could be produced. In addition, no documentation could be produced to support that the other individual was bonded or insured.

The organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements. The designated employees must have either a cash bond or an insurance policy on their behalf that protects the charter school from employee theft, fraud, errors, and omissions. The cash bond or insurance policy should represent an average amount of cash or receipts on hand during the school year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

HOOSIER ACADEMY INDIANAPOLIS

MARION COUNTY, INDIANA

Exit Conference

Years Ended June 30, 2012 and 2011

The contents of this report were discussed on January 18, 2013 with Stacie Porter Bilger (Board Member), Teran Armstrong (Superintendent), Leslie Schott (K12, Inc. North Region Finance Manager), Jennifer Sims (K12, Inc. Regional Vice President), and Russell Roselle (K12, Inc. Director of Financial Planning and Analysis). The Official Response has been made a part of this report and may be found on page 6.



Hoosier Academy Indianapolis

HA INDY – Cash Receipt and Depositing

Issue – tracing cash receipt to depositing, missing deposit tickets, and missing proper deposit details, timeliness of deposits.

Response – all forms of cash receipts are to funnel through a bonded school personnel. A deposit ticket will be completed for each cash receipt and shall include; name of payer, check number, amount, and detailed explanation of funds received. All receipts are to be bank deposited within 24 hours of receipt.

HA INDY – Capital Assets

Issue – Conducting annual physical inventory of Capital Assets and providing a complete record of assets (capital or expensed)

Response – Physical inventory of all Capital Assets will occur annually. Development of a complete record of assets, capital and expense, shall be produced and maintained.

HA INDY – Payroll compliance

Issue – Inability for the school to provide employment contracts to support pay rates, or employee attendance records.

Response – Employment contracts that include salary/wage information and benefits will be kept on file in the school administrative offices. School has created personnel files that will include employment contract, teaching certification, benefits, and attendance records.

HA INDY – Bonding

Issue –No documentation of bonding for a Treasurer could be provided, for Fiscal year 2012.

Response –The school shall designate employee(s) that will be responsible for handling cash in the schools. Those employee(s) will be covered by a bond or insurance policy.

John Mark 2-4-13
Board President date

Tera Armstrong 2-1-13
Head of Schools date