



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42379

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

July 16, 2013

Charter School Board
Career Academy of South Bend, Inc.
3801 Crescent Circle
South Bend, IN 46635

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 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 through 5 contain six audit results and comments.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Career Academy of South Bend, 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.

State Board of Accounts

SUPPLEMENTAL AUDIT REPORT

OF

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

July 1, 2011 to June 30, 2012

Fitzgerald | Isaac LLC
Certified Public Accountants

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Table of Contents

	<u>Page</u>
School Officials.....	1
Transmittal Letter	2
Audit Results and Comments:	
Vendor Disbursements	3
Capital Assets	3
Receipts and Deposits	4
Form Usage	4
Textbook Rentals.....	5
Required Reports.....	5
Exit Conference.....	6
Official Response	7

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA


School Officials

Year Ended June 30, 2012

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors and Treasurer	Lawrence Garatoni	07/01/11 – 06/30/12
School Leader	Yolanda Turner-Smith	07/01/11 – 06/30/12
Business Manager	William Martindale	07/01/11 – 06/30/12

The Board of Directors
Career Academy of South Bend, Inc.

We have audited the financial statements of **Career Academy of South Bend, Inc.** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated June 12, 2013. 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
June 12, 2013

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2012

VENDOR DISBURSEMENTS

We selected and examined a sample of 73 cash disbursement transactions from throughout the year. Within this sample we noted the following:

- The School does not utilize the state approved accounts payable voucher or approved substitute.
- In 9 instances, account coding was not documented on the check stub.

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).

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).

CAPITAL ASSET INVENTORY

The School maintains a record of capital assets for accounting purposes; however, it has not conducted a physical inventory as a means to verify the accounting records.

Every charter school shall have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory must 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 10).

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

RECEIPTS AND DEPOSITS

The School collects amounts for various items including textbook fees, uniforms, bus passes, fines and various other items. In our sample of 25 cash receipts transactions we noted 4 instances where the bank deposit was not made in a timely manner. The average delay was 7-10 days between the date of collection and the date of deposit.

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).

FORM USAGE

The Indiana State Board of Accounts prescribes various accounting forms to be used by a charter school. We noted that the School does not use the following approved forms:

- Accounts Payable Voucher (Form 523)
- Receipt in Duplicate (Form 517)
- Official Receipt – Individual Textbook Rental List (Form TBR-2)

All charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, if desirable to have a prescribed form modified to conform for computer applications, a letter and copies of the proposed forms may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

CAREER ACADEMY OF SOUTH BEND, INC.

COUNTY, INDIANA

Audit Results and Comments, Continued

TEXTBOOK RENTALS

The School maintains a process for textbook rentals and pursues delinquent accounts, but it does not have a formal policy to deal with uncollectible accounts.

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

REQUIRED REPORTS

A signed and dated copy of the ADM Report was not maintained by the building level administrator.

The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2012

The contents of this report were discussed on June 19, 2013, with Bruce Greenberg (Board Member), Yolanda Turner-Smith (School Leader), and Ken Horvath (Business Manager). The Official Response has been made a part of this report and may be found on page 7.

— SOUTH BEND —
CAREER ACADEMY

June 19, 2013

Eugene P. Fitzgerald
Fitzgerald | Isaac LLC
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

Dear Gene,

Below are our responses to the Supplemental Audit Report for the period July 1, 2011 to June 30, 2012.

Vendor Disbursements

We will immediately begin attaching an approved Accounts Payable Voucher form to all expenditures.

Capital Asset Inventory

Currently, an asset inventory is being taken at the end of the school year.

Receipts and Deposits

Deposits are now being made on a timely basis.

Form Usage

We will implement the use of the forms as soon as they can be purchased.

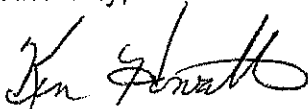
Textbook Rentals

A formal procedure will be developed and implemented to write off bad debts, uncollectible accounts receivable or any adjustments to record balances.

Required Reports

A signed and dated copy of the ADM Report is now being maintained by a school administrator.

Sincerely,



Ken Horvath
Business Manager