



STATE OF INDIANA
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August 22, 2013

Charter School Board
Joshua Academy, Inc.
1230 East Illinois Street
Evansville, IN 47711

We have reviewed the Supplemental Audit Report prepared by Riney Hancock CPAs PSC, 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 4 through 6 contain seven audit results and comments. Management's Response is on pages 8 and 9

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Joshua Academy, 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

JOSHUA ACADEMY, INC.

Vanderburgh County, Indiana

**SUPPLEMENTAL COMPLIANCE
EXAMINATION REPORT**

Year Ended June 30, 2012

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JOSHUA ACADEMY, INC.
SCHOOL OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Charter School Board	Rev. Larry Rascoe	7/1/11 to 6/30/12
Executive Director	Pamela Decker	7/1/11 to 6/30/12
Treasurer	Amy Oglesby	7/1/11 to 6/30/12
Director of Finance	Sandra Byers	7/1/11 to 6/30/12



TRANSMITTAL LETTER

Board of Directors
Joshua Academy, Inc.

We have audited the financial statement of Joshua Academy, Inc. (Academy) for the year ended June 30, 2012 and have issued our report thereon dated February 12, 2013. In conjunction with that audit, we also examined the Academy's compliance during the year ended June 30, 2012 with the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts. The results of that supplemental compliance examination and our independent accountants' report thereon are reflected on pages 3 through 6 herein.

Riney Hancock CPAs PSC

Evansville, Indiana
February 12, 2013



INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Joshua Academy, Inc.

We have examined Joshua Academy, Inc.'s (Academy) compliance with the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools issued by the Indiana State Board of Accounts (Manual) during the year ended June 30, 2012. Management is responsible for the Academy's compliance with those requirements. Our responsibility is to express an opinion on the Academy's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the requirements prescribed by the Indiana State Board of Accounts in Guidelines for the Audits of Charter Schools Performed by Private Examiners, and, accordingly, included examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Academy's compliance with specified requirements.

Our examination disclosed certain instances of noncompliance with the Manual, as described in the Audit Results and Comments listed in the table of contents.

In our opinion, except for the noncompliance described in the third paragraph, Joshua Academy, Inc. complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2012.

This report is intended solely for the information and use of management, the Board of Directors, and the Indiana State Board of Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

Evansville, Indiana
February 12, 2013

Riney Hancock CPAs PSC (handwritten signature)

JOSHUA ACADEMY, INC.

Vanderburgh County, Indiana

Audit Results and Comments

Year Ended June 30, 2012

Form Usage

Our testing revealed that for most receipt transactions, generic receipt forms are filled out at the time money is received, and the Prescribed Official Receipt Form is then completed for the same transaction at the time the deposit is prepared, resulting in not using forms as intended, as well as duplication of effort and the potential for error.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10:
Official and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed.

Capital Assets

A listing of property is maintained for accounting purposes, but this record does not include all assets in the possession of the Academy. A complete record of assets, whether donated or purchased, should be maintained for disaster recovery purposes.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10:
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.

Receipts and Deposits

As a result of audit inquiry, it was noted that at times checks are substituted for cash in the daily deposit. This customarily results from cashing personal checks for employees, or from check contributions to the Sunshine Fund, a cash box maintained on the premises for collections from employees to be used for remembrances of co-workers.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8:
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.

Vendor Disbursements

Our testing of cash disbursements and related inquiry revealed that sales tax was included on the vendor invoice and paid for certain items tested. This resulted from difficulties encountered when certain vendors were sold to other companies, and also resulted when staff made purchases on-line.

JOSHUA ACADEMY, INC.

Vanderburgh County, Indiana

Audit Results and Comments

Year Ended June 30, 2012

Vendor Disbursements, Continued

In addition, service charges for late payments were incurred on two copier lease disbursements.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10:

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments.

Employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the charter school.

Additionally, employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the charter school.

Any penalties, interest or other charges paid by the charter school may be the personal obligation of the responsible employee.

Credit Cards

Credit card logs indicating persons using the card, date checked out, and date returned is not maintained for two credit cards maintained in the Principal's office.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10:

The designated employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and date returned, etc.

Payroll

During our procedures the following was noted:

A salary schedule does not exist for non-certified employees, or for administrative non-teaching positions.

Although a daily sign-in sheet is in use, separate time sheets signed by the employee and a supervisor are not utilized for each employee.

JOSHUA ACADEMY, INC.

Vanderburgh County, Indiana

Audit Results and Comments

Year Ended June 30, 2012

Payroll, Continued

Aside from approval of the overall budget, documentation does not exist for Financial Affairs Committee or Board of Directors approval of individual rates of pay for persons in non-certified and non-teaching administrative positions, nor of the salary schedule for certified positions.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8:

The charter school must establish a payroll schedule that details amounts paid annually, bi-weekly, hourly, etc. for all employees that are not included on a labor contract.

The charter school must maintain adequate supporting documentation for payroll to ensure that payments are made only for service rendered. Supporting documentation, such as time cards, must show signs of supervisory approval.

Textbook Rental

The Academy has not established a policy for collection of past due amounts relating to textbook and other fees.

Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10:

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 recorded balances.

JOSHUA ACADEMY, INC.

Vanderburgh County, Indiana

Exit Conference

Year Ended June 30, 2012

The contents of this report were discussed on February 12, 2013, with the following persons:

Rev. Larry Rascoe
Pamela Decker
Michele Graham
Sandra Byers

The Official Response has been made a part of this report and may be found on pages 8 to 9.



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Evansville, Indiana 47711
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February 12, 2013

To: State Board of Accounts
302 West Washington St.
Room E418
Indianapolis, IN 46204-2765

From: Rev. Larry Rascoe, President of Board
Michele, Graham, Treasurer of Board
Pamela Decker, Executive Director
Sandy Byers, Finance Director

OFFICIAL RESPONSE
For
Joshua Academy, Inc.

FORM USAGE

Audit Comment: Our testing revealed that for most receipt transactions, generic receipts forms are filled out at the time money is received, and the Prescribed Official Receipt Form is then completed for the same transaction at the time the deposit is prepared, resulting in not using forms as intended, as well as duplication of effort and the potential for error.

School Response: Joshua Academy, Inc will continue to use the generic receipts forms for the lunch, children zone, and other items that fall into the same type of categories. The employee that is assigned the duty of taking and logging the money will complete the Prescribed Official Receipt Form.

CAPITAL ASSETS

Audit Comment: A listing of property is maintained for accounting purposes, but this record does not include all assets in the possession of the Academy. A complete record of assets, whether donated or purchased, should be maintained for disaster recovery purposes.

School Response: The items in question are the building, assets purchased with the building, and leased equipment that we are plan to purchase at the end of the lease. The building and leases will be added to the asset list as soon as possible. An inventory of the assets that came with the building will be scheduled as soon as possible. After complete inventory of the assets, the asset listing will be updated to include any missing items.

RECEIPTS AND DEPOSITS

Audit Comment: As a result of audit inquiry, it was noted that at times checks are substituted for cash in the daily deposit. This customarily results from cashing personal checks for employees or from check contributions to the Sunshine Fund, a cash box maintained on the premises for collections from employees to be used for remembrances of co-workers.

School Response: Joshua Academy, Inc. will research and evaluate the best way to handle the above comment pertaining to receipts and deposits.

VENDOR DISBURSEMENTS

Audit Comment: Our testing of cash disbursements and related inquiry revealed that sales tax was included on the vendor invoices and paid for certain items tested. This resulted from difficulties encountered when certain vendors were sold to other companies, and also resulted when staff made purchases on-line.

In addition, service charges for late payments were incurred on two copier lease disbursements.

School Response: Employees responsible for purchasing will be informed that the entity is tax exempt. A copy of our tax exempt form will be available to all employees responsible for purchasing items needed. When placing an on-line order the company must be contacted to determine what is required to report our tax exempt status with the company. When purchasing from a new local company the entity's tax exempt information will be provided to the store prior to completing the purchase.

CREDIT CARDS

Audit Comment: Credit card logs indicating persons using the card, date checked out, and date returned is not maintained for two credit cards maintained in the Principal's office.

School Response: Credit cards will now be maintained in a file folder located in the principal's office with sign in/out forms which include the specific card being checked out, person using card, date checked out, date returned.

PAYROLL

Audit Comment: During our procedures the following was noted:

A salary schedule does not exist for non-certified employees, or for administrative non-teaching positions.

Although a daily sign-in sheet is in use, separate time sheets signed by the employee and a supervisor are not utilized for each employee.

Aside from approval of the overall budget, documentation does not exist for Financial Affairs Committee or Board of Directors approval of individual rates of pay for persons in non-certified and non-teaching administrative positions, nor of the salary schedule for certified positions.

School Response: A salary schedule for teachers and administrative non-teaching positions will be drafted and presented to the Board of Directors for approval. This schedule will be reviewed regularly and adjusted as necessary by the Board of Directors. Non-certified staff is paid an hourly wage for which there is no salary schedule.

Joshua Academy, Inc. will research and evaluate the best way to handle the above comment pertaining to time sheets.

TEXTBOOK RENTAL

Audit Comment: The Academy has not established a policy for collection of past due amounts relating to textbook and other fees.

School Response: The Board of Directors is in process of developing policies and procedures for Joshua Academy, Inc. The bad debt/collection policy is included in the list of policies to be developed.