STATE OF INDIANA

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November 7, 2013

Charter School Board
International School of Columbus, Inc.
3136 North National Road, Suite E
Columbus, IN 47201

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 through 7 contain ten audit results and comments. Management's response is on pages 9 and 10.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for International School of Columbus, 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

INTERNATIONAL SCHOOL OF COLUMBUS, INC

BARTHOLOMEW COUNTY, INDIANA

JULY 1, 2010 to June 30, 2012

Fitzgerald Isaac LLC
Certified Public Accountants

INTERNATIONAL SCHOOL OF COLUMBUS, INC.

BARTHOLOMEW COUNTY, INDIANA

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INTERNATIONAL SCHOOL OF COLUMBUS, INC.

BARTHOLOMEW COUNTY, INDIANA

School Officials

Years Ended June 30, 2012 and June 30, 2011

Office	Official	Term
Chair of Board of Directors	Swadesh Kalsi	07/01/10 – 06/30/12
Head of School	Jonah Sims	07/01/10 – 06/30/12
Financial Specialist	Diana Rondinel	07/01/10 – 06/30/12

Fitzgerald Isaac LLC
Certified Public Accountants

The Board of Directors
International School of Columbus, Inc.

We have audited the financial statements of **International School of Columbus, Inc.** (the "School") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated May 20, 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.

Fitzgerald / Isaac LLC

Indianapolis, IN
May 20, 2013

9245 North Meridian Street, Suite 302
Indianapolis, Indiana 46260
317-844-8300 Fax 317-848-6555
www.fitzgeraldisaac.net

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including field trips, tuition fees, school lunch and computer rentals. Procedures were in place to process cash collections; however, we noted the following exceptions:

School Year 2010-11 (Sample of 25 transactions)

- In 4 instances, we were unable to trace receipts to the bank deposit.
- In 21 instances, receipts were not signed by the treasurer.
- In 16 instances, receipts did not indicate the type of payment.

School Year 2011-12 (Sample of 25 transactions)

- In 6 instances, receipts were not signed by the treasurer.

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.

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).

VENDOR DISBURSEMENTS

We tested a sample of 54 vendor disbursements covering the two year period ended June 30, 2012. From our sample we noted the following:

- In 10 instances, no invoice or supporting documentation could be produced.
- In 6 instances, no accounts payable voucher could be produced.
- In 5 instances, the accounts payable voucher was not certified or approved.
- In 47 instances, the accounts payable voucher lacked indication of the account code.

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).

A fund, as used in the manual, represents money set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3).

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).

BONDING

The School did not have a fidelity bond in place for the 2010-11 school year covering the business manager, who handled the majority of cash receipts. The School did obtain fidelity bond coverage for the 2011-12 school year.

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)

CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, it has not performed an inventory of such assets as verification of the accounting records.

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).

TICKET SALES

The School charges admission to certain school events; however, it does not use pre-numbered tickets or reconcile ticket sales via the SA-4 Ticket Form.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

PAYROLL POLICIES AND COMPLIANCE

We selected a sample of fifteen employees each from the 2011 and 2012 fiscal years with which to test the process for calculating, accumulating and recording payroll expense. From these samples, the School could not produce an employee contract or other documentation in support of the pay rates for two employees in 2011 and one employee in 2012.

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

TEXTBOOK RENTAL

In our audit of income eligibility for benefits under the State's textbook reimbursement program, we selected a sample of 15 students and noted 3 errors in the determination of eligibility. In addition, the School could not produce evidence that data submitted on eligibility applications had been subject to verification by reference to supporting documentation.

Charter schools must provide accurate information to the Indiana Department of Education pertaining to the number of students that receive free/reduced textbooks. If a variance occurs between the charter school records and the report provided the IDOE, then written communication must also request a determination if any increases or decreases in funding will result to the charter school because of the variance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

An error for purposes of the test-check is an approved application, attempted to be verified that cannot be verified by the program participants with requested income verification information (i.e., paycheck stub, W-2, etc.). Program participants who have an application that cannot be verified are not always dropped from the free and reduced-price meal program and corrections in reporting and additional testing does not always occur.

The State Board of Accounts is of the audit position charter schools shall request a written position from the Indiana Department of Education stating whether the corrective action taken was sufficient or if additional verifications need to be performed when high incidences of errors in test sample verifications are noted. The written communication to the Department of Education must also request a determination if any increases or decreases in funding will result to the charter school because of the concerns noted with the verification process. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17).

UNCOLLECTIBLE ACCOUNTS

The School maintains a process of textbook rentals for those students that do not qualify for state reimbursement. The School pursues delinquent accounts for collection, 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).

PREPAID LUNCHES RECONCILIATION

In our audit, we noted that the School does not reconcile a listing of students and their prepaid balances to the prepaid lunch cash balance by use of Form SF-2 or other means.

Subsidiary records by student must be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized forms will be required to be maintained...to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17).

CREDIT CARD POLICY AND COMPLIANCE

The School utilizes a credit card with First Financial Bank for various purchases, the use of which is addressed in a formal credit card policy. In our audit of credit card payments, we noted that credit card payments are made based on the monthly statement. Individual charge receipts are not included with the accounts payable voucher.

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...

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

INTERNATIONAL SCHOOL OF COLUMBUS, INC.

BARTHOLOMEW COUNTY, INDIANA

Exit Conference

Years Ended June 30, 2012 and June 30, 2011

The contents of this report were discussed on July 9, 2013, with Jonah Sims (Head of School), Robert Orben (Board Member), and Nickolas Seger (Treasurer). The Official Response has been made a part of this report and may be found on page 9.

INTERNATIONAL SCHOOL
of Columbus

September 11, 2013
Eugene P. Fitzgerald
Fitzgerald | Isaac LLC
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260
Ph. 317-844-8300, Ext. 17
Fax 317-848-6555

Dear Eugene,

This purpose of this letter is to respond to the observations and or "Audit Results and Comments" found in the SUPPLEMENTAL AUDIT REPORT of the INTERNATIONAL SCHOOL OF COLUMBUS performed on the July 1, 2010 to June 30, 2012 school years.

RECEIPTS AND DEPOSITS
The finance department has taken measures to insure that the money is deposited in the designated depository without unreasonable delay. The department is also verifying that all treasurer receipts are properly signed and indicate the type of payments.

VENDOR DISBURSEMENTS
The Finance department has taken measures to insure that the Accounts Payable Vouchers are being produced and are: (1) there is a fully itemized of bill for the claim (2) the invoice or bill is approved by the officer or person receiving the goods or services (3) The invoice or bill are filed with the fiscal officer (4) The fiscal officer audits or certifies before payment that the invoice or bill is true an correct (5) payment of the claim is allowed by the Board having jurisdiction over the allowance of the payment of the claim.

BONDING
The Financed department has taken measures to insure that all the required parties are bonded.

CAPITAL ASSETS
The Finance department and Administration have taken measures to insure that there will be a complete inventory of all Capital Assets owned which will reflect their acquisition value.

TICKET SALES
The Finance department will insure the use of form SA-4 Ticket Form in all future sales of tickets.

PAYROLL POLICIES AND COMPLIANCE
The HR department and Administration have taken measures to insure that all employee files are up to date. In response to the observation, the departments have insured that all employee agreements (Contracts) are kept.

TEXTBOOK RENTAL
The Finance department will insure that the proper measures for determining eligibility to participate in the Free and Reduced program are verified. The department will begin sampling students to insure that they qualify for this program.

PREPAID LUNCES AND RECONCILIATION
The Finance department and the Administration will insure that the proper reconciliation procedures will be

adopted and a listing of students and their prepaid balances to the prepaid lunch cash balanced will be followed using the government required form.

CREDIT CARD POLICY AND COMPLIANCE
The Finance department and Administration have produced a policy for Credit Card Compliance which was adopted and approved a the April 2013 Board meeting. The Finance department is insuring that all credit card statements are accompanied by paid bills and receipts for each individual charge.

UNCOLLECTIBLE ACCOUNTS
The Finance department and the Administration have produced a policy for Uncollectible Accounts which was adopted and approved at the April 2013 Board meeting.

Sincerely yours,

Jonah Sims
Head of School
International School of Columbus