



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B43492

STATE BOARD OF ACCOUNTS
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May 13, 2014

Charter School Board
Neighbor's Educational Opportunities, Inc.
5391 Central Avenue
Portage, IN 46368

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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. Page 3 contains one audit result and comment. Management's response is on page 5.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Neighbor's Educational Opportunities, 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
NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
July 1, 2012 to June 30, 2013

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

PORTER COUNTY, INDIANA

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NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

PORTER COUNTY, INDIANA

School Officials

Year Ended June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Sharon Mortensen	07/01/12 – 06/30/13
Principal	Donald J. Knotts	07/01/12 – 06/30/13
Executive Director	Rebecca Reiner	07/01/12 – 06/30/13

The Board of Directors
Neighbors' Educational Opportunities, Inc.

We have audited the financial statements of **Neighbors' Educational Opportunities, Inc.** (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated March 3, 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
March 3, 2014

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

PORTER COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period January 1, 2013 to June 30, 2013 revealed that the June 30, 2013 cash balance did not reflect the balance as reported on the books and records. The balance reported on Form 9 was higher than the general ledger balance by \$5,183.

It was also noted that the fund numbers used on the Form 9 report did not follow the numbers prescribed by the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*. For instance, federal special education funding was reported a fund #7953 instead of #5200, and charter school grant funding was reported as fund #6610 instead of #6890.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

The charter school's financial accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

PORTER COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on April 2, 2014, with Rebecca Reiner (Executive Director), Sharon Mortensen (Board Chair), Albert Trost (Board Secretary), Linda Friedrich (Board Treasurer), and Shanta Belyeu (Business Manager). The Official Response has been made a part of this report and may be found on page 5.



Neighbors' Educational Opportunities, Inc.

Rebecca Reiner, *Executive Director*

Neighbors' Portage Adult Education
Neighbors' New Vistas High School

5391 Central Avenue
Portage, Indiana 46368
Phone: (219) 850-4448
FAX : (219) 850-4445

OFFICIAL RESPONSE

Grant Accounting

We have taken the following steps to ensure proper accounting and compliance with all grants:

1. We have created a grant information form that is completed upon receipt of grant contracts. This form centralizes information in regards to grant term, reporting requirements, deadlines, disbursement requirements, SBOA Fund #, and SBOA Receipt Code.
2. We take the allowable expenses and create an Approved Budget Account Code Chart detailing allowable expenses and the matching budget account code to be used.
3. All grant management will be handled by one office which will be responsible for expenditure approvals, reports, and overall management.

Accounting System

In addition to the implemented accounting system by L. L. Low Associates the school has implemented the use of QuickBooks by Intuit. In November 2013 in preparation for the audit we began using QuickBooks by Intuit. We are using both systems simultaneously to allow for the accounting records to be maintained ensuring that we are following GAAP guidelines with accrual accounting while maintaining a fund accounting system in LOWS.

Financial Reporting

As transactions are being processed in QuickBooks we have set up the chart of accounts and expenditure transactions in a manner that expenses will be able to be determined on a functional basis.

Organizational Policies

We are in the process of developing and adopting a new procurement policy taking into account the recommendation made by the auditors. The current draft of the policy will be on the agenda for the May, 2014 Board Meeting for final approval.

-2- Neighbors' Educational Opportunities

Response to Audit Results and Comments

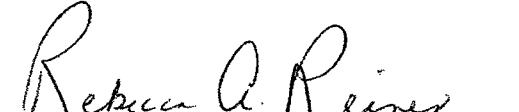
Financial Reporting

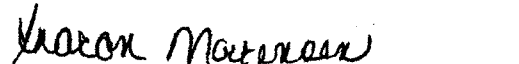
The balance on the books is the correct ending balance. The Form 9 ending balance was inadvertently overstated due to a transfer of funds transaction processed where the receipt date and the expenditure date were processed with effective dates 1 year apart. 8/31/2012 & 8/31/2013. The Form 9 for the subsequent period recorded the expenditure of the transaction in question to balance the Form 9 out. Additional training has taken place on the accounting system to ensure that timely month end closes are performed within the system to alleviate cross period typographical errors that may occur.

We have already spoken to Kaitlen Bolt and Tim Cochren who deals with the Form 9 at IDOE and they have approved our 12/31/2013 reported based on the above information.

The two incorrect fund numbers have been corrected and we have received instruction from IDOE on how to make sure we have proper reporting when we submit the Form 9 for this period in which we made the correction.


Shanta M. Belyeu, Business Manager


Rebecca A. Reiner, Executive Director


Sharon Mortensen, Board President