



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B48313

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June 28, 2017

Charter School Board
Career Academy at South Bend, Inc.
3801 Crescent Circle
South Bend, IN 46627

We have reviewed the Supplemental Audit Report prepared by Fitzgerald Isaac LLC/Donovan PC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 six audit results. The responses to the Supplemental Report are found on page 9.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
CAREER ACADEMY OF SOUTH BEND, INC.
ST. JOSEPH COUNTY, INDIANA
July 1, 2013 to June 30, 2014

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:	
Receipts and Deposits	3
Vendor Disbursements	4
Financial Reporting	5
Credit Card Policy	6
Textbook Rental	7
Capital Assets	7
Exit Conference	8
Official Response	9

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

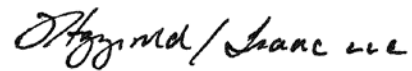
School Officials

July 1, 2013 to June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Lawrence Garatoni	07/01/13 – 06/30/14
Superintendent	Paul Schlottman	07/01/13 – 06/30/14
Business Manager	Kenneth Horvath	10/01/13 – 06/30/14

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, 2014 and have issued our report thereon dated May 31, 2016. 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
May 31, 2016

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

July 1, 2013 to June 30, 2014

RECEIPTS AND DEPOSITS

The School collects amounts for various items including textbook fees, field trips, bus passes, fines and other items. We observed that the School issues written receipts primarily for cash payments. Written receipts are generally not prepared when payment is made by check unless specifically requested.

Receipts shall be issued and recorded at the time of the transaction; for example, when a cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

VENDOR DISBURSEMENTS

In our audit, we selected of sample of 40 vendor disbursements for examination. Of this sample of 40 transactions, we noted the following:

- In 20 instances, the accounts payable voucher was signed by only one person.
- In those 20 instances, the signature was applied electronically at the time that the check was prepared.
- In 2 instances, the accounts payable voucher contained no evidence of approval.
- In 2 instances, the accounts payable voucher was not supported by an original invoice.

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)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2013 to June 30, 2014 revealed that the reports did not identify certain grant awards, specifically the federal special education award (Fund 5200) and the public charter school award (Fund 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)

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)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments, Continued

CREDIT CARD POLICY

The School utilizes a credit card to make certain purchases. We examined credit card statements for five monthly periods, and observed that for one month no actual receipts associated with the purchases (totaling \$2,613.63) could be located. In addition, while we did not identify other concerns regarding the use of the credit card, the School has not adopted a formal policy governing its use.

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:

1. The charter school must authorize credit card use through an appropriate policy.
2. Issuance and use shall be handled by an employee designated by the charter school.
3. The purposes for which the credit card may be used must be specifically stated in the policy.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the designated employee.
5. The designated employee must maintain an accounting system or log which would include the names of individuals requesting the usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
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. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid. (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

TEXTBOOK RENTALS

The School provides for textbook rentals to those students that do not qualify for state reimbursement and collects other fees relating to School activities. From our audit, we noted that:

- The School invoices each student for the textbooks being used, but does not utilize the state-approved form (TBR-2).
- The School pursues delinquent accounts for collection, but it does not have a formal policy to address uncollectible accounts.

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)

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)

CAPITAL ASSETS

The School maintains a subsidiary record of capital assets for accounting purposes; however, it has not conducted a physical 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)

CAREER ACADEMY OF SOUTH BEND, INC.

ST. JOSEPH COUNTY, INDIANA

Exit Conference

July 1, 2013 to June 30, 2014

The contents of this report were discussed on July 26, 2016 with Paul Schlottman (Superintendent), Kimberly Richardson (Interim Business Manager), and Charles Loeser (Corporate Attorney). The Official Response has been made a part of this report and may be found on page 9.



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July 26, 2016

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, 2013 to June 30, 2014.

Receipts and Deposits

We will start giving receipts for all check payments received, not just when requested by payer.

Vendor Disbursements

We have put in place the practice of having two signatures on the accounts payable voucher. We no longer have the purchase order electronically signed, we manually sign the form.

Financial Reporting

In order to keep FY 2014 consistent, effective July 1, 2016, Special Education funds will be designated Fund 5200 and Public Charter School award funds will be designated Fund 6890.

Credit Card Policy

The procedures outlined will be implemented as soon as practical.

Textbook Rentals

A formal procedure will be developed and implemented to address uncollectible accounts. We will also implement using form TBR-2.

Capital Assets

We are currently conducting a fixed asset inventory this summer, July 2016. We are tagging items with asset tags.

Sincerely,
Kim Richardson
Business Manager

A handwritten signature in black ink that reads "Kim Richardson". The signature is written in a cursive, flowing style.