



STATE OF INDIANA
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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

February 7, 2018

Charter School Board
Indiana Schools of Excellence, Inc.
3423 Michigan Street
South Bend, IN 46614

We have reviewed the Supplemental Audit Report for Indiana Schools of Excellence, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. 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 4 contain five audit results and comments. Management's response is on pages 6 through 7.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

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

**SUPPLEMENTAL AUDIT REPORT
OF
INDIANA SCHOOLS OF EXCELLENCE, INC.**

ST. JOSEPH COUNTY, INDIANA

July 1, 2016 to June 30, 2017



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INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
School Officials
July 1, 2016 to June 30, 2017

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|-----------------|---------------------|
| President of Board of Directors | Albert Smith | 07/01/16 – 06/30/17 |
| School Leader | Samantha Smith | 07/01/16 – 06/30/17 |
| Business Manager | Bob Edmondson | 07/01/16 – 06/30/17 |



Donovan CPAs

The Board of Directors
Indiana Schools of Excellence, Inc.

We have audited the financial statements of Indiana Schools of Excellence, Inc. (the “School”) as of and for the year ended June 30, 2017, and have issued our report thereon dated December 21, 2017. 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.

DONOVAN

Indianapolis, Indiana
December 21, 2017

www.cpadonovan.com

Westside Office | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

CAPITAL ASSETS

The School did not conduct a formal capital assets inventory in 2017.

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)

REQUIRED REPORTS

The School submits a Form 9 Biannual Financial Report two times per year. Upon review of the submitted Form 9s it was determined that the ending cash balance reported on the Form 9 did not tie to the ending cash balance as reported in the financial statements. In addition, the fund activity reported on the Form 9 does not accurately reflect fund activity during the year.

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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of 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)

PAYROLL COMPLIANCE

During our testing of payroll, three out of the 15 employee contracts did not match the payroll register for the pay period ended November 5, 2016.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

July 1, 2016 to June 30, 2017

VENDOR DISBURSEMENTS

The School pays all bills based on statements or invoices received from the vendors. However, the School did not use the Accounts Payable Voucher (Form 523) during the audit period, as such a full account coding was not evident on every invoice selected for testing.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form 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)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

The School's certification on the Gateway platform on the adoption of and training on internal control standards was made incorrectly. The school personnel did not understand the requirements set forth by IC 5-11-1-27(g) prior to the certification and have since realized that they should have answered that the School was not in compliance.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
Exit Conference
July 1, 2016 to June 30, 2017

The contents of this report were discussed on December 21, 2017 with Janet Krouse (Board Representative), Samantha Smith (School Leader), Robert Doctor (Business Manager), and Jim Shafer (Accountant). The Official Response has been made a part of this report and may be found on page 6.



December 21, 2017

Donovan, P.C.
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

RE: Management Response to Audit Findings

Capital Asset Inventory

Xavier has addressed this finding, and has implemented a process to ensure that all Xavier assets are documented, by: nomenclature, location, quantity, fund code, and acquisition cost. Furthermore, Xavier has initiated a one-hundred percent (100%), physical inventory of capital assets and will be available for review when completed on January 12, 2018.

Required Reports

Form 9 for the six months ending June 30, 2017, the upload file had a clerical error that did not include the Adjustment to fund 3720 for \$20,474.30 which reduced the Cash balance. With uploading to the Website, the website does not provide a final report of balances until after the State reviews and finalizes the information, which is days or weeks after submission. Specifically, this discrepancy has been addressed for this instance, corrected and also for future submissions.

Payroll Compliance

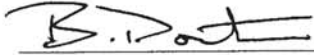
Xavier has addressed this finding, and has implemented a process to ensure that all contracts are available and archived on both electronic and paper media. All 2016 employment contracts have been provided to ensure compliance for this audit.

Vendor Disbursements

This finding, while accurate and reasonable, is deemed to be too administratively/financially burdensome and Xavier is willing to accept the finding without prejudice.

Internal Controls

Xavier has addressed this finding, and has implemented a process to ensure that all employees are provided annual training and certification under the guidelines of Indiana Code §5-11-1-27 (g) (2). Training and certification of Xavier School Board members and all Xavier employees will be completed by December 22, 2017. Additionally, a written board policy will be developed to document the annual recertification process.



Robert Doctor, Business Manager



Board Member JANET KROUSE