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July 12, 2018

Charter School Board
Ace Preparatory, Inc.
5326 Hillside Ave.,
Indianapolis, IN 46220

We have reviewed the Supplemental Audit Report for Ace Preparatory, Inc. prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period February 12, 2015 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 5 contain six audit results and comments.

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
ACE PREPARATORY, INC.
MARION COUNTY, INDIANA
PERIOD JULY 1, 2016 TO JUNE 30, 2017

**ACE PREPARATORY, INC.
SUPPLEMENTAL AUDIT REPORT
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**ACE PREPARATORY, INC.
SCHEDULE OF OFFICIALS**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Head of School	Anna Shults	February 2015 – present
Head of Operations	Kerriesha Adams	February 2015 – present



CliftonLarsonAllen

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials
ACE Preparatory, Inc.
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of ACE Preparatory, Inc., as of and for the period of inception (February 12, 2015) through the period ended June 30, 2017, and have issued our report thereon dated January 28, 2018.

In our audit, we noted that ACE Preparatory, Inc. failed to comply with use of prescribed forms, proper bonding of designated employees, providing timely receipts for all cash receipts, vendor disbursement support, monthly account reconciliation, and credit card disbursement support as required by the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*, as outlined in the *Guidelines of Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts.

Our audit was not directed primarily toward obtaining knowledge as to whether ACE Preparatory, Inc. failed to comply with the terms of the *Accounting and Uniform Compliance Guidelines manual for Indiana Charter Schools*, issued by the Indiana State Board of Accounts, insofar as they relate to accounting matters. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding noncompliance with the above-referenced *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*, issued by the Indiana State Board of Accounts, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and management of ACE Preparatory, Inc. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
January 28, 2018

**ACE PREPARTORY, INC.
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

FAILURE TO USE PRESCRIBED FORMS

All Charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, the Academy could not provide documentation to support the appropriate use of prescribed forms, approved forms, or replicas of prescribed forms.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 13)

PROPER BONDING OF DESIGNATED EMPLOYEES

There is no cash bond or insurance policy on the individual designated to handle the majority of the disbursements and receipts which protects the Academy from theft, fraud, errors, and omissions.

The Organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements for the school. 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 shall represent an average amount of cash or receipts on hand during a fiscal year (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

RECEIPTS AND DEPOSITS

Receipts

The Academy could not provide documentation to support that receipts (School City and Town Form No. 517) were issued at the time of the receipt of payment. Thirty-seven instances of noncompliance were noted during inspection of a sample of sixty transactions.

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 (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8*).

Deposits

The Academy does not deposit receipts daily. Thirty-six instances of noncompliance were noted during inspection of a sample of sixty transactions.

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*).

**ACE PREPARTORY, INC.
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

VENDOR DISBURSEMENTS

Inadequate Documentation

The Academy was unable to provide adequate documentation for five (5) of the sixty (60) disbursements tested.

All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason for the entry and must show an evidence of supervisory approval (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8*).

Use of Prescribed Voucher Form

The Academy could not provide sufficient documentation to support that Accounts Payable Vouchers are used as required by the State Board of Accounts. Thirty-three (33) instances of noncompliance were noted during inspection of a sample of sixty (60) transactions. Additionally, the Academy could not provide documentation to support that expenditures are reviewed and approved by the board for expenditures occurring after March 2017. Twenty instances of noncompliance regarding Board approval of expenditures were noted during inspection of a sample of sixty transactions.

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*).

Late Payment Fee Paid

Based on audit procedures guided by the State Board of Accounts' compliance standards, one instance of late payment fees was noted totaling \$9.50.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10*).

**ACE PREPARTORY, INC.
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

MONTHLY RECONCILIATIONS MAINTAINED

The Academy could not provide sufficient documentation to support that monthly reconciliations are completed for all financial records.

All financial records must be kept up-to-date and reconciled monthly (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

CREDIT CARD DISBURSEMENTS

Use of Credit Cards

The Academy does not issue purchase orders for credit card expenditures and no credit card expenditures are accounted for until month-end.

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

Documentation of Credit Card Expenses

The Academy could not provide sufficient documentation to support all credit card charges. Approximately \$24,000 in credit card charges were selected for inspection; however, approximately \$4,400 could not be supported by the appropriate documentation.

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*).

Payment of Interest

The Academy paid interest of \$10.00 on an outstanding credit card balance.

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

**ACE PREPARTORY, INC.
MARION COUNTY
EXIT CONFERENCE**

The contents of this report were discussed with Anna Shults, Head of School, on January 28, 2018. The officials concurred with our audit findings.