



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B50458

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](http://www.in.gov/sboa)

July 12, 2018.

Charter School Board  
Seven Oaks Classical School, Inc.  
200 E. Association Street  
Ellettsville, IN 47429

We have reviewed the Supplemental Audit Report for Seven Oaks Classical School, 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 5 contain five audit results and comments. Management's response is on page 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  
**SEVEN OAKS CLASSICAL SCHOOL, INC.**

MONROE COUNTY, INDIANA

July 1, 2016 to June 30, 2017



## TABLE OF CONTENTS

	<b>Page</b>
School Officials .....	1
Transmittal Letter.....	2
Audit Results and Comments:	
Required Reports .....	3
Cash Receipts and Deposits.....	3
Vendor Disbursements .....	3
Credit Card Policy .....	4
Payroll Compliance .....	5
Exit Conference .....	6
Official Response.....	7

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**MONROE 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	Matt Wolf	07/01/16 – 06/30/17
Treasurer	Dr. Stephen Shipp	07/01/16 – 06/30/17
Headmaster	Dr. Stephen Shipp	07/01/16 – 06/30/17



# Donovan CPAs

The Board of Directors  
Seven Oaks Classical School, Inc.

We have audited the financial statements of Seven Oaks Classical School, Inc., (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated April 18, 2018. 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  
April 18, 2018

---

[www.cpadonovan.com](http://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

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**MONROE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2016 to June 30, 2017**

**REQUIRED REPORTS**

The School is required to submit a Biannual Financial Report (Form 9) twice per year to the State. The School submitted the Form 9 timely; however, the School did not accurately report fund activity. On the Form 9 submitted June 30, 2017, the cash balance per the Form 9 agreed, however, the individual fund balances did not agree to the underlying fund records.

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)

**CASH RECEIPTS AND DEPOSITS**

The School issues receipts for all cash received. From a sample of 25 receipts tested during the audit, we noted the School was issuing receipts to individuals; however, the School was unable to provide support that directly tied each receipt to the appropriate bank deposit.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**VENDOR DISBURSEMENTS**

From a sample of 38 expense transactions tested during the audit, the School was unable to provide support for eight transactions. Additionally, we identified three transactions where a check copy was not retained and one transaction where no invoice was retained.

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)

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**MONROE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2016 to June 30, 2017**

**CREDIT CARD POLICY**

The School possesses a credit card that is used for general expenditures. Since the School began operation during the 2016-2017 school year, the School did not have a formal credit card policy in place to authorize the use of the card. From a sample of 5 credit card statements selected for testing, we noted the School was not paying down the balance thereby incurring penalties and interest. In addition, we also noted the School was not properly coding each individual purchase and was missing various invoices. The School was also unable to provide a voucher for one transaction.

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)

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**MONROE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2016 to June 30, 2017**

**PAYROLL COMPLIANCE**

We tested 15 employees and the corresponding contracts and hourly support for the November 5, 2016 pay period. The School provided contracts for all salary employees; however, no employment agreements were used for hourly employees. In addition, we noted one instance of time cards not being retained.

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)

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**MONROE COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2016 to June 30, 2017**

The contents of this report were discussed on April 13, 2018 with Dr. Stephen Shipp (Headmaster) and Brian Anderson (Outside Consultant). The Official Response has been made a part of this report and may be found on page 7.



April 18, 2018

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

Seven Oaks Classical School has already or will take the following actions to address the FY2017 supplemental audit report comments:

1. We will continue to file required reports with the state and we will better align our accrual adjustments between funds with our cash reporting within funds.
2. We will improve our cash receipts process to better track specific receipts to each individual deposit.
3. We will continue to follow our vendor disbursement processes that improved throughout our first year of operation.
4. We will improve our credit card documentation support and payment process. Additionally, we will adopt a credit card policy that conforms to SBOA requirements.
5. We will implement a time tracking system for our hourly employees.

Sincerely,

A handwritten signature in black ink, appearing to be "John Smith", is written over a faint, illegible printed name.

Seven Oaks Classical School Management