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July 19, 2018

Charter School Board
The New Community School, Inc.
1904 Elmwood Ave.
Lafayette, IN 47904

We have reviewed the Supplemental Audit Report for The New Community 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 4 contain three 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
OF
THE NEW COMMUNITY SCHOOL, INC.

TIPPECANOE COUNTY, INDIANA

July 1, 2016 to June 30, 2017



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THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE 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	Jason King Vacant	07/01/16 – 12/2016 12/2016 – 6/30/17
Executive Director	Leitha Stone Vacant	07/01/16 – 12/2016 12/2016 – 6/30/17
Director of Finance and Operations	J.B. Farrell Vacant	07/01/16 – 12/2016 12/2016 – 6/30/17



Donovan CPAs

The Board of Directors
The New Community School, Inc.

We have audited the financial statements of The New Community School, Inc. (the “School”) as of and for the year ended June 30, 2017 and have issued our report thereon dated May 11, 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
May 11, 2018

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THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

RECORD RETENTION

We were unable to conduct a majority of the testing pertaining to compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts due to the lack of records and documentation of business and financial transactions. The School relinquished its charter and ceased operations in December 2016. Adequate provision was not made to retain School records in a satisfactory manner for retrieval, specifically:

1. Cash bond or insurance policy that protects the School from employee theft, fraud, errors, and omissions
2. ADM reports and supporting student count documentation
3. Form 9 submissions
4. Capital asset inventory documentation
5. Cash receipt books
6. Credit card disbursement documentation
7. Employee contracts, personnel files, and time records
8. Extra-curricular activity documentation

Additionally, we noted that departing teachers were allowed to take various items with them to their new schools, such as books, teaching materials, and furniture. No documentation was maintained of what items were taken.

Charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with the charter school's finances and activities and to participate regularly in its operations. Duty of loyalty requires that any conflict of interest, real or possible, always be disclosed in advance of being employed and when they arise. A charter school has the duty to insure that the school complies with applicable laws and regulations and its internal policies and procedures. (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8*)

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).

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))

THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

VENDOR DISBURSEMENTS

We selected a sample of 30 vendor disbursement transactions from throughout the year. Within this sample we noted the following compliance issues:

1. Eleven instances where the AP voucher was not certified or approved by school officials before payment was made.
2. Eleven instances where no invoice was provided to support the disbursement.

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)

The charter school must establish procedures for the initiation, approval, and use of purchase requisitions and purchase orders. The procedures must include limits on approval of purchase orders after the purchase to emergency situations and all blanket purchases must have a fixed monetary limit. Upon receipt of the goods or services a charter school employee must verify the condition, quantity, and quality of the goods or services prior to payment of the invoice/bill/contract. Supporting documentation, such as invoices, shall be compared to purchase orders to ensure the prices, quantities, etc. are correct prior to payment.

THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
Exit Conference
July 1, 2016 to June 30, 2017

The contents of this report were discussed on May 9, 2018 with Jason King (President of Board of Directors). Because the School discontinued operations as a charter school in December 2016, no official response was obtained.