



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B51392

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

November 28, 2018

Charter School Board
Otwell Miller Academy, Inc.
9558 E County Rd 150 N.
Otwell, IN 47564

We have reviewed the Supplemental Audit Report for Otwell Miller Academy, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. 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 four 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
OTWELL MILLER ACADEMY, INC.

PIKE COUNTY, INDIANA

July 1, 2017 to June 30, 2018



TABLE OF CONTENTS

	Page
School Officials	1
Transmittal Letter.....	2
Audit Results and Comments:	
Bonding	3
Vendor Disbursements	3
Minimum Internal Controls Standards	3
Required Reports	4
Exit Conference	5
Official Response.....	6 - 7

OTWELL MILLER ACADEMY, INC.
PIKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board Finance Chair	Michelle Durcholz	07/01/17 – 06/30/18
School Director	Rick Fears	07/01/17 – 06/30/18
Board Secretary	Jenny Byrd	07/01/17 – 06/30/18



Donovan CPAs

The Board of Directors
Otwell Miller Academy, Inc.

We have audited the financial statements of Otwell Miller Academy, Inc., (the “School”) as of and for the year ended June 30, 2018, and have issued our report thereon dated November 20, 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
November 20, 2018

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

OTWELL MILLER ACADEMY, INC.
PIKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

BONDING

The School did not have a cash bond or an insurance policy covering the employees designated for handling the majority of cash.

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

VENDOR DISBURSEMENTS

We selected a sample of 25 expense transactions. From our sample, we noted that the School was paying sales tax on its electrical utility bills.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were adopted, but personnel did not receive training.

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))

OTWELL MILLER ACADEMY, INC.
PIKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

REQUIRED REPORTS

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2018 to June 30, 2018 revealed that the June 30, 2018 cash balance did not reflect the balance as reported on the books and records. The balance reported on Form 9 was lower than the general ledger balance by \$61,859. In addition, the funds 900 and 3951 had negative balances of \$32,367 and \$61,857, respectively, which were not the result of awaiting reimbursements on reimbursement grants.

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)

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

The fund balance of any fund may not be overdrawn below zero. Routinely overdrawn funds could be an indicator of serious financial problems which shall be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

OTWELL MILLER ACADEMY, INC.
PIKE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on November 15, 2018 with Rich Padgett (Director), Lisa Reid (Contracted Accountant), Ashley Arroyo (Contracted Accountant), and Sherryl Osgatharp (Board Treasurer). The Official Response has been made a part of this report and may be found on page 6.



Response and Corrective Action

Audit Findings of July 1, 2017 to June 30, 2018 Audit

1. Bonding

The school is working with our insurance carrier to add a policy covering school employees in the amount of \$20,000.

2. Vendor Disbursements

The school has confirm the tax exempt status with vendors to ensure sales taxes are not being charged.

3. Minimum Internal Control Standards

The school has ensured that the responsible staff have been informed and trained concerning the minimum internal controls as stated on the SBOA website. The governing body has adopted the requirements set forth in IC 5-11-1-27(g)

4. Required Reports

6/30/18 Form 9 filing was completed by Greggs & Reid CPAs. While waiting on signatures to be obtained at the Board meeting, G & R discovered some personal donor checks were written to Greggs & Reid CPAs and Grace College, so they questioned Friends of Otwell about the donor paid expenses. G & R communicated with the Indiana Finance Report group to inform them that we had additional information coming that would require revisions to the Form 9. G & R communicated with the FoO group that they needed a complete list of the donor paid expenses. The private donor had paid expenses for OMA in the amount of \$37,738.83. Also, utility expenses paid by

the FoO group that are going to be paid back to them equal \$13,788.51. These additional OMA expenses weren't reported in the original Form 9 report. Greggs & Reid CPAs plan to adjust the 6/30/18 Form 9 for these additional expenses through the Finance Report website as advised by the Donovan CPAs group during the audit process.

The negative fund balances were a result of Greggs & Reid CPAs recording payroll expenses against the funds in error. The funds have been corrected by applying the payroll expenses to the General Fund when the fund is expended.

Submitted By:

Rich Padgett, Director Otwell Miller Academy

November 20, 2018