



STATE OF INDIANA
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December 19, 2018

Charter School Board
Career Academy of South Bend, Inc.
3801 Crescent Circle
South Bend, IN 46627

We have reviewed the Supplemental Audit Report for Career Academy of South Bend, Inc. prepared by Kruggel Lawton CPAs, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 6 contain seven audit results and comments. Management's response is on page 9.

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
Career Academy of South Bend, Inc.

ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

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Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

School Officials

Office	Official	Term
President of Board of Directors	Lawrence Garatoni	7/1/2015-6/30/2016
Superintendent	Paul Schlottman	7/1/2015-6/30/2016
Interim Business Manager	Kim Richardson	2/1/2016-6/30/2016
Business Manager	Dan Fulcher	7/1/2015-1/31/2016



The Board of Directors
Career Academy of South Bend, Inc.

We have audited the financial statements of Career Academy of South Bend, Inc. (the “School”) as of and for the year ended June 30, 2016 and have issued our report thereon dated November 27, 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.

Respectfully submitted,

A handwritten signature in black ink that reads 'Kruggel, Lawton & Company LLC'.

Certified Public Accountants

Elkhart, Indiana
December 4, 2018

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

Audit Results and Comments

RECEIPTS AND DEPOSITS

The School collects amounts for various items including textbook fees, field trips, bus passes, fines and other items. We observed that the School generally did not prepare receipts when payments were made by check unless specifically requested.

Receipts shall be issued and recorded at the time of the transaction; for example, when a 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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

In addition, we tested a random sample of cash receipts. Fifteen of the twenty-five receipts tested were not deposited by the following business day.

Guidelines issued for Charter Schools by the State Board of accounts require all charter school money to be deposited in the designated depository no 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)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

CREDIT CARD POLICY

The School utilizes a credit card to make certain purchases. We examined credit card statements for five monthly periods. While we did not identify specific concerns regarding the use of the credit card, the School has not adopted a formal policy governing its use.

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)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

TEXTBOOK RENTALS

The School provides for textbook rentals to those students that do not qualify for state reimbursement and collects other fees relating to School activities. Based on our testing, we noted that:

1. The School invoices each student for the textbooks being used, but does not utilize the state approved form (TBR-2).
2. The School pursues delinquent accounts for collection, but it does not have a formal policy to address uncollectible accounts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CAPITAL ASSETS

The School maintains a subsidiary record of capital assets for accounting purposes; however, it has not conducted a physical inventory of such assets as verification of the accounting records.

Every charter school must have a complete inventory of all capital assets owned which reflects the asset acquisition values. 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)

CASH BALANCES

The school incurred overdraft fees in October 2015 due to overdrawn cash balances. The cash balance of any fund may not be reduced 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)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

TRAVEL CLAIMS

The school reimburses employees for travel claims. We discovered instances of noncompliance with guidelines when vouching support for claims.

Every travel claim must be in writing, properly itemized, supported by original receipts, and include proper documentation to support that the trip was for charter school business. Out of a sample of thirteen travel claims, one claim did not use the proper mileage rate, three claims lacked documentation, and one claim included no support that the mileage driven was for charter school business. In two instances, expense reports were not completed.

The charter school must establish a travel policy that details the procedures for an employee to get approval to attend meetings and conferences; must detail when an employee is in travel status; must detail the procedures for employees to get reimbursement for travel expenses; and the policy must establish a reasonable mileage reimbursement rate.

The charter school shall only reimburse employees for travel expenses when appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

VENDOR DISBURSEMENTS – SALES TAX

We tested a random sample of vendor disbursements to determine if the school paid sales tax on purchases. Six out of twenty-five disbursements tested included amounts paid for sales tax.

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. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2015 to June 30, 2016

Exit Conference

The contents of this report were discussed on November 27, 2018 with Alex Hammel (Superintendent), Kim Richardson (Business Manager), and Charles Loeser (Board Secretary). The Official Response has been made a part of this report and may be found on page 8.

Official Response



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South Bend, IN 46628
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www.CareerAcademySB.com

December 4, 2018

Margene Zink, CPA
Kruggel Lawton CPAs
210 S. Michigan St, Ste 200
South Bend, IN 46601

Dear Margene,

Below are our responses to the Supplemental Audit Report for the period July 1, 2015 to June 30, 2016.

Receipts and Deposits

In the Fall of 2016, we implemented issuing receipts for all forms of payments received, not just when requested by payer. A policy will be written and in place to ensure the timely deposit of funds received into the bank.

Credit Card Policy

A formal credit card policy has been adopted in September 2017.

Textbook Rentals

A formal procedure will be developed and implemented to address uncollectible accounts. We have a form that is used for textbook rental fee. It will be reviewed to see if it is in compliance with form TBR-2.

Capital Assets

A partial fixed asset inventory of computer equipment was conducted in the summer of 2016. We are going to conduct a full inventory in the summer of 2019.

Travel Claims

We have a travel policy in place, it will be reviewed to see if it is complying. Training will be provided to staff to ensure they understand the proper procedure.

Vendor Disbursements – Sales Tax

We currently have vendors reimbursement sales tax if any was paid on invoices. Sales tax is an issue when an employee purchases an item directly. Training will be provided to staff to ensure they understand the proper procedure.

Sincerely,
Kim Richardson
Business Manager

A handwritten signature in black ink that reads "Kim Richardson".