



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B52524

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

April 5, 2019

Charter School Board
Higher Institute of Arts and Technology, Inc.
PO Box 1113
Merrillville, IN 46411

We have reviewed the Supplemental Audit Report for Higher Institute of Arts and Technology, 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 5 contain seven audit results and comments. Management's response begins 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
HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.**

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2018



TABLE OF CONTENTS

	Page
School Officials	1
Transmittal Letter	2
Audit Results and Comments:	
Receipts and Deposits	3
Vendor Disbursements	3
Payroll Policies and Compliance.....	4
School Lunch Reporting.....	4
Capital Assets	4
Travel Claims	5
Minimum Internal Control Standards.....	5
Exit Conference	6
Official Response.....	7

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Sharla Johnson	07/01/17 – 06/30/18
School Leader	Erica Brownfield LaRue Fitch	07/01/17 – 03/30/18 04/01/18 – 06/30/18
School Treasurer	Charles Tucker	07/01/17 – 06/30/18



Donovan CPAs

The Board of Directors
Higher Institute of Arts and Technology, Inc.

We have audited the financial statements of Higher Institute of Arts and Technology, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 17, 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
December 17, 2018

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

RECEIPTS AND DEPOSITS

We tested 25 cash receipts from the School's receipt books, noting the following instances of non-compliance:

1. The School was unable to provide deposit support for 13 receipts.
2. Of the 12 cash receipts for which deposit support was provided, four were not deposited timely.
3. Four cash receipts did not list a form of payment.
4. The School utilized cash received as petty cash, circumventing cash control processes.

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)

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)

VENDOR DISBURSEMENTS

We tested 44 vendor disbursement transactions and requested documentation to support each, noting the following instances of non-compliance:

1. The School was unable to provide documentation for five of the selected disbursements.
2. The School was unable to provide invoices for four of the selected disbursements.
3. The School did not properly include two signatures on 23 vouchers.

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)

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)

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

PAYROLL POLICIES AND COMPLIANCE

We selected 15 employees for testing and requested employment contracts and time records, noting the following issues of non-compliance:

1. The School was unable to provide employment agreements for six employees.
2. The School was unable to provide time records for three employees.
3. The School was unable to reconcile eight pay rates to the contracts.
4. In seven instances, time cards were not approved by a supervisor.
5. In six instances, time cards did not agree to the payroll register.
6. The School was unable to provide a requested payroll register.

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)

SCHOOL LUNCH REPORTING

In our testing of the School's meals program, we noted the School was not in compliance as it could not provide support for completion of the required 3% verification of applications. In addition, the School was unable to provide support for two of the fifteen student applications requested.

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)

CAPITAL ASSETS

We reviewed the School's physical inventory taken during the year ended June 30, 2018. The School only inventoried technology equipment. The School is required to keep track of all fixed assets as part of its inventory process.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. 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)

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

TRAVEL CLAIMS

We tested four travel reimbursements for proper support. The School was unable to provide adequate invoices to support all four reimbursements.

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)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, 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))

HIGHER INSTITUTE OF ARTS AND TECHNOLOGY, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 17, 2018 with Eva Spilker, Director of Finance at The Phalen Leadership Academies. Eva will present this report to the full Board of Directors at its next meeting in January 2019. The Official Response has been made a part of this report and may be found on page 7.

HIAT – Management Responses to SBOA Findings – FY18

Receipts and Deposits: The School leader that was previously responsible for managing school deposits is no longer with HIAT. The new School Leader and Office Manager have been trained in the correct process to collect and record receipts to include the below:

1. The School was unable to provide deposit support for 13 receipts

Response:

The School Leader the was previously responsible for deposits is no longer with the HIAT. New procedures and best practices have been put in place to ensure that all deposits have appropriate support. The school will ensure that all deposits are supported by clear receipts and that all deposits are reviewed and approved by a second individual. The approved deposit slip and supporting documentation will then be forwarded to finance. Finance will then record the transaction in the accounting system and then verify the transaction through the monthly bank reconciliation.

2. The School did not make timely deposits on 4 deposits tested

Response:

The School will ensure that all receipts are reviewed, approved and deposited within 24 business hours of receipt. The deposit slip and all supporting information are then forwarded to finance who will verify the receipt through the monthly bank reconciliation.

3. Four cash receipts did not include a form of payment:

Response:

All receipts will record the form of payment and be approved by two separate individuals to support a strong segregation of responsibilities. The approved deposit slip and support will be sent to finance for entry into the accounting system

4. The school utilized cash received as petty cash, circumventing cash procedures:

Response:

To ensure proper recognition of all receipts, the school will forward all receipts and supporting information to finance. The school will also send all disbursements and supporting information to finance. Each transaction will be approved by 2 separate individuals at the school to ensure a strong segregation of responsibilities.

Vendor Disbursement Findings:

Response:

The School leader and staff previously responsible for reviewing and managing vendor invoices and disbursements are no longer with the school. Clear invoice and disbursement procedures have been implemented at the school and details are below:

All invoices are received at the school. The Operations Manager reviews all invoices to confirm that the goods were received or that the services were completed. Once the Operations Manager approves, the invoices are sent to the School Leader for approval. Once the school leader has approved, the invoices are forwarded to finance for review and entry. Finance will compare to historical invoices and enter into

the accounting system. The CFO and CEO will review and approve all invoices prior to payment. The packet of signed voucher, invoice and check copy will be maintained at the school.

Payroll Policies and Compliance Findings:

Response:

The School leader and staff previously responsible for maintaining and managing payroll records are no longer with the school. Clear employee agreements and payroll processes were implemented at the school and details are below:

All employee agreements are prepared and issued by PLA HR after they are approved by the Regional Director and CEO. All staff hires, terminations and transitions are communicated to payroll and confirmed with payroll registers prior to processing and entry into the accounting system. Multiple approval levels ensure strong segregation of responsibilities. Employment agreements are maintained by HR and payroll registers are maintained by Finance. All timesheets are approved at the school level and forwarded to finance for processing. Timesheet records are maintained by finance.

School Lunch Reporting:

The School did not provide support for the 3% verification testing:

Response: (2018-2019)

The school has assigned dedicated nutrition staff that is then approved by the Regional Director. Free and reduced applications will be verified each year as per the verification process of the IDOE.

Capital Assets

HIAT completed an inventory of technology but they must inventory and track all fixed assets

Response:

The school will expand the physical inventory of technology to include all assets. The Regional Director will approve the physical inventory and submit to finance for annual reconciliation.

Travel Claims

The school was unable to provide support for travel reimbursements:

Response:

The school implanted travel reimbursement procedures in 2018-2019 and all reimbursements will have multiple approvals as well as clear support prior to reimbursement issuance.

Minimum Internal Control Standards

The School must adopt and implement SBOA minimum IC standards

Response:

Internal controls were prepared at the end of FY18 and will be implemented and adopted in 2018-2019.