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April 5, 2019

Charter School Board
Indiana Schools of Excellence, Inc.
3423 Michigan Street
South Bend, IN 46614

We have reviewed the Supplemental Audit Report for Indiana Schools of Excellence, 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 six 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
INDIANA SCHOOLS OF EXCELLENCE, INC.**

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2018



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INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH 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	Yolanda Turner-Smith	07/01/17 – 06/30/18
School Leader	Samantha Smith	07/01/17 – 06/30/18
Financial Manager	Robert Doctor	07/01/17 – 06/30/18



Donovan CPAs

The Board of Directors
Indiana Schools of Excellence, Inc.

We have audited the financial statements of Indiana Schools of Excellence, Inc. (the “School”) as of and for the year ended June 30, 2018, and have issued our report thereon dated January 30, 2019. 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
January 30, 2019

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INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

RECORD RETENTION

We were unable to conduct testing related to compliance with the 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 ceased operations in June 2018. Adequate provisions were not made to retain school records in a satisfactory manner for retrieval, specifically:

1. Student counts
2. Textbook reimbursement claim support

Charter school administrators must be cognizant of their duties of care, loyalty, and obedience. The duty of care requires administrators to be familiar with 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 had 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*)

CAPITAL ASSETS

The School did not conduct a formal capital assets inventory in 2018.

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*)

VENDOR DISBURSEMENTS

The School did not use accounts payable vouchers.

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*)

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*)

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

REQUIRED REPORTS

Upon review of the submitted Form 9s it was determined that the beginning and ending cash balances reported on the Form 9 did not tie to the corresponding cash balances as reported in the financial statements. In addition, the fund activity reported on the Form 9 does not accurately reflect fund activity during the year.

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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

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)

RECEIPTS AND DEPOSITS

We selected a sample of 25 receipts from receipt books maintained by the School. Per review, we noted the following compliance issues:

1. The School was unable to provide deposit support for five receipts.
2. Four of the receipts were written after the deposit date, meaning the receipt was not issued at the time of transaction.
3. Four of the receipts were not deposited in a timely manner.

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)

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

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

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))

INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
Exit Conference
July 1, 2017 to June 30, 2018

The contents of this report were discussed on January 30, 2019 with Robert Doctor (Finance Manager).
The Official Response has been made a part of this report and may be found on page 7.



Xavier School of Excellence

3423 S. Michigan Street
South Bend, Indiana 46614

January 30, 2019

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

RE: 2017-2018 Xavier School of Excellence Audit Findings

Dear Sir or Madame,

Xavier School of Excellence has closed (effective June 30, 2018), and no further action on these findings is applicable.”

Robert Doctor, Interim Business Manager