



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B52627

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](http://www.in.gov/sboa)

April 30, 2019

Charter School Board  
Career Academy of South Bend, Inc.  
3801 Crescent Circle  
South Bend, IN 46628

We have reviewed the Supplemental Audit Report for Career Academy of South Bend, Inc. prepared by Kruggel, Lawton & Company LLC, 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 6 contain six audit results and comments. Management's response is on page 8.

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, 2016 to June 30, 2017**

## Contents

School Officials .....	1
Transmittal Letter.....	2
Audit Results and Comments	
Receipts and Deposits .....	3
Credit Card Policy.....	4
Textbook Rentals .....	5
Capital Assets.....	5
Cash Balances .....	5
Travel Claims.....	6
Exit Conference .....	7
Official Response.....	8

**Career Academy of South Bend, Inc.**  
**ST. JOSEPH COUNTY, INDIANA**  
**July 1, 2016 to June 30, 2017**

**School Officials**

Office	Official	Term
President of Board of Directors	Lawrence Garatoni	7/1/2016-6/30/2017
Superintendent	Paul Schlottman	7/1/2016-10/31/2017
Lydia Jagger	Principal	7/1/2016-6/30/2017
Dean Fecher	Principal	7/1/2016-6/30/2017
Business Manager	Jackie Black	7/1/2016-6/30/2017



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, 2017 and have issued our report thereon dated March 26, 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.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kruggel, Lawton & Company LLC".

Certified Public Accountants

Elkhart, Indiana  
March 26, 2019

**Career Academy of South Bend, Inc.**  
**ST. JOSEPH COUNTY, INDIANA**  
**July 1, 2016 to June 30, 2017**

**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. Twenty-one of the sixty 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, 2016 to June 30, 2017**

**CREDIT CARD POLICY**

The School utilizes a credit card to make certain purchases. We examined credit card statements and payments for five monthly periods. Of the five periods, three included interest payments, and two included late fees.

In addition, the School has not adopted a formal policy governing credit card 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, 2016 to June 30, 2017**

**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 2016 and December 2016 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, 2016 to June 30, 2017**

**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 twenty travel claims, one claim did not use the proper mileage rate, and nine claims lacked proper documentation. In one instance, an expense report was 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)

**Career Academy of South Bend, Inc.**  
**ST. JOSEPH COUNTY, INDIANA**  
**July 1, 2016 to June 30, 2017**

**Exit Conference**

The contents of this report were discussed on March 26, 2019 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.



3801 Crescent Circle  
South Bend, IN 46628  
Tel. (574) 299-9800  
Fax. (574) 288-6125  
www.CareerAcademySB.com

April 12, 2019

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, 2016 to June 30, 2017.

**Receipts and Deposits**

In the Fall of 2016, we implemented issuing receipts for all forms of payments received in the business office, not just when requested by payer. A policy will be written for receipts to be issued by anyone collecting funds not just the business office. 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.

Sincerely,

A handwritten signature in blue ink that reads "Kim Richardson". The signature is written in a cursive, flowing style.

Kim Richardson  
Business Manager