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November 20, 2019

Charter School Board
URBAN ACT Academy, Inc.
1250 E Market Street
Indianapolis, IN 46202

We have reviewed the Supplemental Audit Report of URBAN ACT Academy, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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 page 6.

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
URBAN ACT ACADEMY, INC.**

MARION COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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URBAN ACT ACADEMY, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2018 to June 30, 2019

<u>Officer</u>	<u>Official</u>	<u>Term</u>
Chair of Board of Directors	Morgan Galbreth	07/01/18 – 06/30/19
Head of School	Nigena Livingston	07/01/18 – 06/30/19
Business Manager	Stacey Jackson	07/01/18 – 06/30/19



Donovan CPAs

The Board of Directors
URBAN ACT Academy, Inc.

We have audited the financial statements of URBAN ACT Academy, Inc. (the “School”) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 12, 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
November 14, 2019

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URBAN ACT ACADEMY, INC.
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2018 to June 30, 2019

RECEIPTS AND DEPOSITS

We selected twenty-five receipts for testing from the School's receipt books. Of those tested, seven were not deposited in a timely manner. The School did not use three-part receipts and the form of payment was not identified, as required for documentation purposes.

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)

CREDIT CARD USAGE

The School utilized credit cards for various expenditures during the year. We tested all four of the credit card payments that were made during the fiscal year. Each of the four were missing vouchers. Additionally, three were missing invoices and one had payment for interest.

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 is the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

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)

URBAN ACT ACADEMY, INC.
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2018 to June 30, 2019

VENDOR DISBURSEMENTS

The School did not have proper documentation (i.e. copy of invoice) for five out of thirty-four disbursements selected for testing.

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)

REQUIRED REPORTS

The fund balances shown on the School's Form 9 at June 30, 2019 did not accurately reflect the balances in those funds when compared to activity shown on the School's trial balance.

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)

URBAN ACT ACADEMY, INC.
MARION COUNTY, INDIANA
Exit Conference
July 1, 2018 to June 30, 2019

The contents of this report were discussed on November 13, 2019 with Nigena Livingston (Head of School), Scott Bilyou (Board Treasurer), and Brian Anderson (Consultant). The Official Response has been made a part of this report and may be found on page 6.



November 14, 2019

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

URBAN ACT has or will take the following actions to address the four FY2019 supplemental audit report comments:

1. We have established a process that allows us to better issue individual receipts for cash and checks received at the school, and we will make sure the receipt books we use will have the required three-part copies instead of two. In our first year of operation, we placed our emphasis in other areas, but now that we are established, we can also improve the forms we use in tracking what amounts to $\frac{1}{4}$ of 1% of the revenue we receive annually.
2. We prefer not to use credit cards for too many transactions. As a start-up entity, we sometimes needed to use credit cards as not all vendors accept purchase orders or other forms of credit from brand new businesses. We have improved and will continue to improve our credit card use practices.
3. As a start-up entity, our payables documentation process did not always keep pace with the speed at which we needed to make purchases to support the student population we serve. We improved our process throughout the year. That, along with a better understanding of the needs of the students we are serving, will allow our payables process to continue its improvement.
4. We will continue to submit Form 9 information on time and reconcile to our cash position. We will seek ways to better align individual fund cash reporting with the accrual adjustments and retroactive reimbursements that can make that challenging. We are currently working with other schools to identify a way to more efficiently address the challenge we face in reporting financial information in accordance with accounting principles generally accepted in the United States of America while also accounting for information for regulatory bodies in a prescribed basis of accounting other than accounting principles generally accepted in the United States of America.

Sincerely,

URBAN ACT Academy Management

Our mission is to develop and empower students as leaders, globally competitive scholars and informed citizens.

URBAN ACT Academy | 1250 E. Market St. - Indianapolis, IN 46202 | T: (317) 226-4214 | www.urbanact.org