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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)

February 19, 2020

Charter School Board  
Montessori Academy at Geist, Inc.  
13942 E 96th Street, Suite 120  
McCordsville, IN 46055

We have reviewed the Supplemental Audit Report for Montessori Academy at Geist, 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 5 contain seven audit results and comments. Management's response is on pages 7 through 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  
**MONTESSORI ACADEMY AT GEIST, INC.**

HANCOCK COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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**MONTESSORI ACADEMY AT GEIST, INC.**  
**HANCOCK COUNTY, INDIANA**  
**School Officials**  
**July 1, 2018 to June 30, 2019**

| <b><u>Office</u></b> | <b><u>Official</u></b> | <b><u>Term</u></b>  |
|----------------------|------------------------|---------------------|
| Board President      | Kirby Durham           | 07/01/18 – 06/30/19 |
| Executive Director   | Dr. Susan Fries        | 07/01/18 – 06/30/19 |
| Controller           | Karinda Holland        | 07/01/18 – 06/30/19 |



# Donovan CPAs

The Board of Directors  
Montessori Academy at Geist, Inc.

We have audited the consolidated financial statements of Montessori Academy at Geist, Inc. and GMA Holding, LLC (the “School”) as of and for the year ended June 30, 2019 and have issued our report thereon dated January 30, 2020. 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, 2020

**MONTESSORI ACADEMY AT GEIST, INC.**  
**HANCOCK COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2018 to June 30, 2019**

**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 experienced a complete change in management and all administration personnel directly following the fiscal year end. Adequate provisions were not made to retain school records in a satisfactory manner for retrieval, specifically:

1. Student counts
2. Attendance data
3. Physical asset inventories
4. Accounts payable vouchers and check copies related to credit card statements
5. Income verification report
6. Textbook claims

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 has the duty to ensure 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)

**FORM USAGE**

The School did not use the SBOA prescribed form, nor any other equivalent form of accounts payable vouchers during the 2018-2019 school year.

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**

We reviewed the Form 9s that were submitted for the periods of July to December 2018 and January to June 2019. Although ending cash balances agreed to the trial balance, fund 200 was overdrawn.

The fund 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)

**MONTESSORI ACADEMY AT GEIST, INC.**  
**HANCOCK COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2018 to June 30, 2019**

**MONTHLY RECONCILIATIONS**

The School's consolidated related real estate holdings entity, GMA Holding, LLC, was opened in December 2018. At the time of the audit, this entity's cash account had not been reconciled since March 2019.

All financial records must be kept up-to-date and reconciled monthly. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

**VENDOR DISBURSEMENTS**

We selected a sample of twenty-six cash disbursements for testing. The School was unable to provide a voucher, invoice, or check copy for five of the twenty-six items selected. Additionally, accounts payable vouchers were not used as noted in the Form Usage section above.

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)

**PAYROLL POLICIES AND PROCEDURES**

Fifteen employees were selected for testing. Of the fifteen employees selected, nine were found to not have any type of written employment agreement or contract. As such, we were unable to determine if they were being paid their correct rates. Additionally, timecards were not utilized for hourly employees. Also, one employee's wages did not agree to the employment contract.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as timecards, 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)

**MONTESSORI ACADEMY AT GEIST, INC.**  
**HANCOCK COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2018 to June 30, 2019**

**ELIGIBILITY DETERMINATION**

We selected five students for testing. One student was incorrectly determined as “reduced” when the student should have been determined as “free.”

The department shall adopt procedures that must be followed by applicants in order for them to qualify for assistance under this chapter. These procedures must include obtaining information needed by the family and social services administration to determine if the recipient is a child who is a member of a qualifying family (as defined in IC 12-14-28-1), including the familial relationship of the child to the head of the household. The financial eligibility standard for an applicant under this chapter must be the same criteria used for determining eligibility for receiving free or reduced lunches under the national school lunch program. [Indiana Code 20-33-5-2 (Procedures to qualify for assistance)].

**MONTESSORI ACADEMY AT GEIST, INC.**  
**HANCOCK COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2018 to June 30, 2019**

The contents of this report were discussed on January 29, 2020 with Nick Wright (Board President), Uriah Ellis (Board Treasurer), Kirby Durham (Board Member), Cindy Schuler (Executive Director), Logan Bonar (Assistant Executive Director), and Jack Colwell (Controller). The Official Response has been made a part of this report and may be found on pages 7 and 8.



January 30, 2020

Geist Montessori Academy  
6058 W 900 N  
McCordsville, IN 46055

**Resolutions and Corrective Actions:**

1. Record Retention:
  - Student counts and attendance data: GMA has used a student information system that has not allowed production of past report data. Once data is changed, it cannot be retrieved from any time in the past. Backups overwrite existing data and are effectively useless for pulling historic data. If student count and attendance data was printed at the time of the ADM reports, it could not be located during the audit. In December 2019 GMA purchased PowerSchool and is in the process of migrating to that student information system. This will correct ADM and attendance reporting issues from the past. February 3, 2020's ADM count will be well documented.
  - Physical asset inventory: GMA's fixed asset list has historically been maintained by GMA's accounting (auditing) firm. GMA will complete a current inventory of all fixed assets and maintain that as advised by our accountants and financial advisors to comply with SBOA guidelines.
2. Form Usage:
  - AP vouchers and check copies related to credit card statements: GMA will begin using approved AP vouchers as prescribed by the SBOA guidelines for charter schools. Copies of checks and supporting documentation for credit card statements will be maintained in a manner sufficient to satisfy SBOA requirements. This documentation process has already been corrected.
3. Required Reports:
  - Income verification reports: Specifically referenced in the audit findings is that the Debt Service Fund, Fund 200, was overdrawn (although total cash balanced). An outside firm files the school's Form 9, and because of the turnover in the controller position, GMA was not aware of the situation until it was discovered in the audit. GMA is now aware and will consult with our Form 9 filing firm to determine what happened, why, and how to prevent it in the future.
4. Monthly Reconcilements:
  - Monthly reconciliations: GMA uses QuickBooks to document financial transactions. While the main set of books for GMA, Inc. were up to date and reconciled, the newly created GMA Holding, LLC account had not been reconciled since March of 2019. This was corrected before the completion of the audit.
5. Vendor disbursements:
  - The lack of an effective filing system for paper documents resulted in the inability to fulfil this audit request. The missing checks and invoices had obviously been removed at some time and not refiled properly. This has already been corrected. All check stub and matching invoices are maintained digitally at this time. Paper check stubs are also retained and filed.

**Cindy Schuler, Executive Director**, [cschuler@gma.k12.in.us](mailto:cschuler@gma.k12.in.us)  
**Logan Bonar, Assistant Executive Director**, [lbonar@gma.k12.in.us](mailto:lbonar@gma.k12.in.us)  
**Jack Colwell, Controller**, [jcolwell@gma.k12.in.us](mailto:jcolwell@gma.k12.in.us)  
Phone: 317-813-4626 Fax: 317-813-4665

[gmacademy.org](http://gmacademy.org)  
6058 W 900 N  
McCordsville, IN 46055

6. Payroll policies and procedures:

- Historically, GMA has only maintained written employment contracts for salaried employees. The finding for missing employment contracts related primarily to hourly employees. GMA will correct this by preparing some type of contract for hourly employees to document that compensation is received as agreed. Timecards (paper timesheets) have been maintained since the school opened. However, the selected date for testing by the auditors could not be located as a result of the lack of an appropriate filing system. Initially, GMA will begin retaining these timesheets digitally (conversion to pdf) and in paper for easy retrieval. GMA is also exploring the use of an employee timekeeping system offered through payroll processing vendors.

7. Eligibility determination:

- One student was incorrectly identified as reduced when they should have been free. GMA will identify the criteria and formulas required to determine the proper eligibility for applicants and corresponding appropriate textbook reimbursement claim.

GMA's school board and new executive and administrative staff are committed to following all standards prescribed by governing authorities including the SBOA. While various findings were highlighted during this audit, corrective measures were already underway by the board and continue at this time. GMA is on a path of growth and refinement, with new personnel, a new facility, and a fresh excitement about the Montessori charter opportunity.