



STATE OF INDIANA
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March 16, 2020

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, 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 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, 2017 to June 30, 2018

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Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2017 to June 30, 2018

School Officials

Office	Official	Term
President of Board of Directors	Lawrence Garatoni	7/1/2017-6/30/2018
Superintendent	Alex Hammel	7/1/2017-6/30/2018
Lydia Jagger	Principal	7/1/2017-6/30/2018
Dean Fecher	Principal	7/1/2017-6/30/2018
Business Manager	Kim Richardson	7/1/2017-6/30/2018



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, 2018 and have issued our report thereon dated February 21, 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.

Respectfully submitted,

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

Certified Public Accountants

Elkhart, Indiana
February 21, 2020

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2017 to June 30, 2018

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. Thirty-four 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, 2017 to June 30, 2018

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, five included interest payments, and one included late fees.

In addition, the School did not formally adopt policy governing credit card use until September 2017. 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, 2017 to June 30, 2018

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)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2017 to June 30, 2018

PROPER BONDING

The School maintains a commercial crime insurance policy to cover property, merchandise, cash and securities against theft, embezzlement or forgery by employees; however, the coverage is for \$100,000, which is significantly less than the average cash balance on hand.

Every charter school must designate employees who are responsible for handling a majority of the cash, receipts, and disbursements for the school. The designated employees must have either a cash bond or an insurance policy on their behalf that protects the charter school from employee theft, fraud, errors, and omissions. The cash bond or insurance policy shall represent an average amount of cash or receipts on hand during a fiscal year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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, eight claims did not use the proper mileage rate, and four claims lacked proper documentation. In four instances, no support or expense report could be located.

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, 2017 to June 30, 2018

Exit Conference

The contents of this report were discussed on February 21, 2020 with Alex Hammel (Superintendent), Kim Richardson (Business Manager), and Lawrence Garatoni (President of the Board of Directors). The Official Response has been made a part of this report and may be found on page 8.



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February 21, 2020

Kruggel Lawton CPAs
210 S. Michigan St, Ste 200
South Bend, IN 46601

Below are our responses to the Supplemental Audit Report for the period July 1, 2017 to June 30, 2018.

Receipts and Deposits

We issue receipts for all forms of payments received in the business office. 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. Training will be provided to all staff at the start of the school year during August. We will send in a form to SBOA for approval to use for issuing receipts during spring 2020.

Credit Card Policy

A formal credit card policy has been adopted in September 2017. The policy will be reviewed in summer of 2020, and training on the use of the credit card will be provide to all staff at the start of the school year, August.

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. We will submit the form to SBOA for approval during the spring of 2020.

Capital Assets

A fixed asset inventory was conducted in May of 2019.

Proper Bonding

We designate the employees that can handle cash and obtain the proper bond or insurance policy during 2020.

Travel Claims

We have a travel policy in place, it will be reviewed in 2020 and revised where necessary to comply with SBOA. Training will be provided to staff to ensure they understand the proper procedure.

Sincerely,
Kim Richardson,
Business Manager

A handwritten signature in black ink that reads "Kim Richardson".