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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

December 18, 2020

Charter School Board
pilotED Schools, Inc.
2710 Bethel Ave
Indianapolis, IN 46203

We have reviewed the Supplemental Audit Report for pilotED Schools, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. 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 three 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
pilotED SCHOOLS, INC.
MARION COUNTY, INDIANA
July 1, 2019 to June 30, 2020



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pilotED SCHOOLS, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2019 to June 30, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chair of Board of Directors	Maggie Stevens	07/01/19 – 06/30/20
Director, Business & Operations	Lani Luo	07/01/19 – 06/30/20
Chief Executive Officer	Jacob Allen	07/01/19 – 06/30/20



Donovan CPAs

The Board of Directors
pilotED Schools, Inc.

We have audited the financial statements of pilotED Schools, Inc. (the “School”) as of and for the year ended June 30, 2020, and have issued our report thereon dated December 10, 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
December 10, 2020

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

Indianapolis | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

pilotED SCHOOLS, INC.
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2019 to June 30, 2020

REQUIRED REPORTS

We reviewed the Form 9 reports submitted by the School for the fiscal year. Total cash reported on the Form 9 at June 30, 2020 agreed with cash reported on the trial balance. However, we noted that funds 300 and 800 were overdrawn by \$1,124,178 and \$70,971, respectively, and were unrelated to awaiting reimbursement. Also, the activity reported in the receipts and expenditures columns on the Form 9 did not reflect the actual activity in line with the School's financial records.

We also reviewed both the Certified Report (100R) and the Annual Financial Report submitted by the School along with the submission date of each report; both reports were submitted sixty-plus days late.

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)

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)

RECEIPTS AND DEPOSITS

We tested a sample of thirty-five receipts. Of those tested, four were not deposited in a timely manner. These untimely deposits ranged from \$15 to \$750 and were made between six and fourteen days from the date of the receipt. Additionally, nine receipts did not have the form of payment marked.

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)

The form is to be prenumbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

pilotED SCHOOLS, INC.
MARION COUNTY, INDIANA
Audit Results and Comments
July 1, 2019 to June 30, 2020

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

During the course of our audit, we identified several adjustments to the trial balance originally presented to us by School management that, individually and in the aggregate, represented a material effect on the financial statements. These adjustments affected the following accounts as of and for the year ended June 30, 2020:

• Increase to grants receivable	\$	40,280
• Decrease to refundable advances		44,857
• Increase to revenue		85,137

Since the adjustments were material, we believe the underlying deficiency could be pervasive to the entire financial statements and thus rises to the level of a material weakness.

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason of the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 8).

pilotED SCHOOLS, INC.
MARION COUNTY, INDIANA
Exit Conference
July 1, 2019 to June 30, 2020

The contents of this report were discussed on December 10, 2020 with Jacob Allen (Chief Executive Officer) and Lani Luo (Director, Business & Operations). The Official Response has been made a part of this report and may be found on page 6.



December 10, 2020

To Whom It May Concern:

Please find below pilotED Schools' Inc.'s response to the Audit findings:

Required Reports

- To ensure accurate Form 9 reporting, pilotED Schools has signed a new contract with Bookkeeping Plus Inc for professional accounting back office support. pilotED will also reclassify the transactions from the overdrawn accounts to accurately reflect pilotED's expenditures.
- Moving forward, Bookkeeping Plus will be handling pilotED schools' Certified Report and the Annual Financial Report to ensure timely submission.

Receipts and Deposit

- Due to COVID-19 school closure, pilotED staff avoided public places such as the bank for deposits from March 2020 to June 2020, resulting in 3 late deposits. Moving forward, pilotED Schools shall go to the bank every Friday to deposit all cash received that week.
- Moving forward, all records in the receipt book will indicate the form of payment.

Preparation of Financial Statements in Accordance with GAAP

- Together with Bookkeeping Plus, pilotED Schools will review these adjustments to ensure transactions are supported with explanation of the reason for the entry.