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March 29, 2021

Charter School Board
The Phalen Leadership Academy - Indiana, Inc.
2323 North Illinois St.
Indianapolis, IN 46208

We have reviewed the Supplemental Audit Report for The Phalen Leadership Academy - Indiana, Inc. prepared by CliftonLarsonAllen LLP, 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 7 contain eleven audit results and comments. Management's response is on page 9.

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
THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
JULY 1, 2019 TO JUNE 30, 2020



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**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
SUPPLEMENTAL AUDIT REPORT
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THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
CEO	Earl Phalen	2012 – Present
CFO	Eva Spilker	2013 – Present



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of The Phalen Leadership Academy – Indiana, Inc., as of and for the year ended June 30, 2020, and have issued our report thereon dated February 24, 2021. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 24, 2021

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020**

Jim and Rosemary Phalen Leadership Academy (JRPLA)

Findings resulting from compliance procedures performed for JRPLA are as follows:

INCLUSION OF SALES TAX

During testing, it was noted that there were six (6) occasions out of the forty (40) disbursements tested in which the invoices were paid and included sales tax.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

PAYMENT OF LATE FEES

During testing, it was noted that there were six (6) occasions out of the forty (40) disbursements tested in which the invoices were paid and included sales tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

TRAVEL CLAIMS RECEIPTS

During testing, it was noted that there were five (5) occasions out of the five (5) claims tested in which there were no receipts provided for the reimbursements.

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)

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020**

AVERAGE DAILY MEMBERSHIP TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). JRPLA has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for the 60 students tested. These selections were missing the certain forms or forms were incomplete as required by the School's enrollment policy.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.), which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

George and Veronica Phalen Leadership Academy (GVPLA)

Findings resulting from compliance procedures performed for GVPLA are as follows:

UNTIMELY RECEIPT ISSUANCE

The charter school was unable to provide documentation to support that receipts (School City and Town Form No. 517) were issued at the time of the receipt of payments for fifteen (15) occasions out of the forty (40) receipts tested.

Receipts shall be issued and recorded at the time of the transaction; for example, when 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 School, Part 8)

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020

INCLUSION OF SALES TAX

During testing, it was noted that there were twelve (12) occasions out of the forty (40) disbursements tested in which the invoices were paid and included sales tax.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

AVERAGE DAILY MEMBERSHIP TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). GVPLA has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for fifty-nine (59) of the sixty (60) students tested. These selections were missing the certain forms or forms were incomplete as required by the School's enrollment policy.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "'Eligible pupil' refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/ Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

FAILURE TO USE PRESCRIBED FORMS

All Charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, the School could not provide documentation to support the appropriate use of prescribed forms, approved forms, or replicas of prescribed forms. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter School, Part 13)

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020**

Phalen @ George H Fisher 93 (PLA93)

Findings resulting from compliance procedures performed for PLA93 are as follows:

UNTIMELY RECEIPT ISSUANCE

The charter school was unable to provide documentation to support that receipts (School City and Town Form No. 517) were issued at the time of the receipt of payments for twelve (12) occasions out of the forty (40) receipts tested.

Receipts shall be issued and recorded at the time of the transaction; for example, when 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 School, Part 8)

PAYMENT OF LATE FEES

During testing, it was noted that there were nine (9) occasions out of the forty (40) disbursements tested in which the invoices were paid and included sales tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

AVERAGE DAILY MEMBERSHIP TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). PLA93 has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for fifty-eight (59) of the sixty (60) students tested. These selections were missing the certain forms or forms were incomplete as required by the School's enrollment policy.

During testing, it was also noted that one student was included in the ADM counts provided to the state but the school could not locate any information on the student. The student was marked as a "no-show" in the last school year and the entry and exit dates of the student were August 1, 2019.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

School officials shall contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment to the school because of incorrect reporting.

**THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
MARION COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2019 TO JUNE 30, 2020**

The contents of this report were discussed with Eva Spilker, Chief Financial Officer, on February 24, 2021. The Official Response has been made a part of this report and may be found on page 9.

PHALEN LEADERSHIP ACADEMIES



The Phalen Leadership Academy – Indiana, Inc
SBOA Audit Finding Responses
For the Year Ended June 30, 20

Jim and Rosemary Phalen Leadership Academy (JRPLA)

Inclusion of Sales Tax – the school will ensure that all vendors have a current Sales Tax Exemption Certificate and request that all invoices that include sales tax are revised to remove the sales tax.

Payment of Late Fees – the school will ensure that all invoices are received and paid on time to avoid any vendor late fee charges.

Travel Claims Receipts – the school will ensure that all travel expenses are supported by appropriate approvals, original receipts and documentation on the purpose of the trip.

Average Daily Membership Testing – the school will ensure that enrollment records are maintained in accordance with State Board of Account requirements and are reported in the ADM Summary Report according to State Board of Accounts requirements.

George and Veronica Phalen Leadership Academy (GVPLA)

Untimely Receipt Issuance – the school will ensure that receipts are issued at the time of receipt of payment. All receipts will be issued and recorded at the time of the transaction.

Inclusion of Sales Tax – the school will ensure that all vendors have a current Sales Tax Exemption Certificate and request that all invoices that include sales tax are revised to remove the sales tax.

Average Daily Membership Testing – the school will ensure that enrollment records are maintained in accordance with State Board of Account requirements and are reported in the ADM Summary Report according to State Board of Accounts requirements.

Failure to use prescribed forms – the school will ensure that State Board of Accounts prescribed forms, approved forms or replicas of forms are used for all transactions.

Phalen @ George H Fisher 93 (PLA93)

Untimely Receipt Issuance – the school will ensure that receipts are issued at the time of receipt of payment. All receipts will be issued and recorded at the time of the transaction.

Payment of Late Fees – the school will ensure that all invoices are received and paid on time to avoid any vendor late fee charges.

Average Daily Membership Testing – the school will ensure that enrollment records are maintained in accordance with State Board of Account requirements and are reported in the ADM Summary Report according to State Board of Accounts requirements.

