



STATE OF INDIANA
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March 29, 2021

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, 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 5 contain six audit results and comments. Management's response is on page 7.

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
Career Academy of South Bend, Inc.

ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

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Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

School Officials

Office	Official	Term
President of Board of Directors	Lawrence Garatoni	7/1/2019-6/30/2020
Superintendent	Alex Hammel	7/1/2019-6/30/2020
Jeremy Lugbill	High School Principal	7/1/2019-6/30/2020
Nicholas Garstka	Middle School Principal	7/1/2019-6/30/2020
Dean Fecher	Primary Principal	7/1/2019-6/30/2020
Business Manager	Kim Richardson	7/1/2019-6/30/2020



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, 2020 and have issued our report thereon dated March 11, 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.

Respectfully submitted,

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

Certified Public Accountants

Elkhart, Indiana
March 11, 2021

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

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 did not prepare receipts for forty-seven of the sixty receipts tested.

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)

In addition, we tested a random sample of cash receipts. Eleven of the sixty receipts tested were not deposited by the following business day. In addition, 17 of the receipts did not appear on daily deposit slips.

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)

REQUIRED REPORTS

The School is required to compile and submit an Annual Financial Report (AFR) within sixty days following its fiscal year-end. The School did not submit the AFR following the June 30, 2020 fiscal year-end.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC 5-11-1-4 (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

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 the School pursues delinquent accounts for collection, but it does not have a formal policy to address uncollectible accounts.

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)

VENDOR DISBURSEMENTS

Charter schools may not draw a warrant or check for payment of a claim unless there is a fully itemized invoice or bill for the claim, the invoice or bills is approved by the officer or person receiving the goods or services, the invoice or bill is filed with the fiscal officer, the fiscal officer audits and certifies before payment that the invoice or bill is true and correct, and the 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 8 and Part 2)

We tested sixty disbursement transactions and reviewed all minutes available from Board of Director's meetings during the year. The minutes did not specifically indicate that the accounts payable vouchers were approved by the Board of Directors.

PROPER BONDING

The School maintains a commercial crime insurance policy to cover employee theft, theft of money and securities, theft outside the premises, forgery or alteration, and computer and funds transfer fraud. However, the policy is not specifically tied to the designated individuals responsible for handling a majority of the cash, receipts and disbursements, nor is the amount of the policy approved by the Board of Directors.

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. In addition, the cash bond or insurance policy is required to be established at an amount approved by the Board of Directors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

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, one claim did not use the proper mileage rate, one claim did was not supported by the original receipt, and one claim was paid in error. The claim in error was a personal expenditure of the school principal who accidentally used the school card for a personal transaction. The school principal later reimbursed the school when the error was discovered.

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.

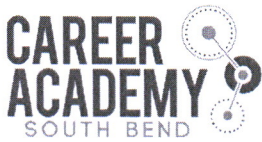
The charter school shall only reimburse employees for travel expenses when appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Reimbursed mileage shall not include travel to and from the employee's home and the charter school building in which the employee works, unless authorized by state statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

Career Academy of South Bend, Inc.
ST. JOSEPH COUNTY, INDIANA
July 1, 2019 to June 30, 2020

Exit Conference

The contents of this report are scheduled to be discussed on March 11, 2021 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 7.



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March 11, 2021

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, 2019 to June 30, 2020.

Receipts and Deposits

We issue receipts for all forms of payments received in the business office. The policy will be reviewed and updated where necessary 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. The policies will be written summer 2021 during the revision of the internal control manual.

Required Reports

We had the understanding that Charter schools were not required to file the AFR. We will start filing this report for the next fiscal year end 6/30/2021.

Textbook Rentals

A formal procedure will be developed and implemented to address uncollectible accounts by June 2021.

Vendor Disbursements

The board of directors has started to review the claim disbursements as of the February 2021 board meeting.

Bonding

The insurance policy and amount will be approved by the board of directors. The policy will cover the school accountant, A/R clerk, purchaser, and A/P clerk who are responsible for handling a majority of the cash, receipts, and disbursements for the school.

Travel Claims

We have a travel policy in place, it will be reviewed spring of 2021 during the revision of the internal control manual. Training will be provided to staff to ensure they understand the proper procedure.

Sincerely,

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

Kim Richardson, Business Manager