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February 10, 2016

Charter School Board
Hoosier Academy Virtual Charter School
2855 N. Franklin Road
Indianapolis, IN 46219

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 seven audit results and comments. Management's response is on page 9 through 12.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Hoosier Academy Virtual Charter School was prepared in accordance with the guidelines established by the State Board of Accounts.

The Supplemental Audit Report and the Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT

OF

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2014

Fitzgerald | **Isaac** LLC
Certified Public Accountants

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Table of Contents

	<u>Page</u>
School Officials	1
Transmittal Letter	2
Audit Results and Comments:	
Employee Bond	3
Capital Assets	3
Payroll Compliance	4
Cash Receipts and Deposits	4
Vendor Disbursements	5
Textbook Reimbursement	5
Credit Card Policy and Compliance	6-7
Exit Conference	8
Official Response	9

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

School Officials

July 1, 2013 to June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	John Marske	07/01/13 – 06/30/14
Superintendent	Teran Armstrong Byron Ernest	07/01/13 – 06/01/14 06/02/14 – 06/30/14
Treasurer	John Luta	07/01/13 – 06/30/14

The Board of Directors
Hoosier Academy, Inc.

We have audited the financial statements of **Hoosier Academy Virtual Charter School** (the "School") as of and for the year ended June 30, 2014 and have issued our report thereon dated November 25, 2015. 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.



Indianapolis, IN
November 25, 2015

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2013 to June 30, 2014

EMPLOYEE BOND

The School did not maintain a cash bond or insurance policy covering employees handling cash receipts and disbursements during the 2014 fiscal year.

The organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements. 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 should represent an average amount of cash or receipts on hand during the school year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CAPITAL ASSETS

The School maintains a property record for accounting purposes; however, the School did not conduct a physical inventory to verify that the assets recorded in the accounting records are still in use.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. 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)

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

PAYROLL COMPLIANCE

The School was unable to provide employment contracts or other records to support employee pay rates. In addition, the School did not maintain attendance records for its employees.

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)

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CASH RECEIPTS AND DEPOSITS

In our audit, we examined records relating to cash received at the school pertaining to such items as testing, reimbursements, and room rentals. The School's records indicated only six receipts issued during the year. From these cash receipts transactions, we noted the following issues:

- In three instances, the School was unable to provide deposit slips to support the bank deposits.
- All receipts were written at the time of deposit and not on the date funds were received. In addition, the receipts were not written to individuals, but were written as a total of all items received from multiple individuals.
- For all items tested, receipts did not indicate the form of payment (i.e. cash, check, etc.).

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 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)

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

VENDOR DISBURSEMENTS

In our audit, we examined records relating to vendor disbursements by selecting items from throughout the year for a total of thirty-two items. For four of the items tested, an invoice or other supporting document could not be provided.

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)

TEXTBOOK REIMBURSEMENT

We tested fifteen student applications for compliance with federal income eligibility guidelines. In this sample, the eligibility determinations were accurate, but the application (Form 521) was not completed fully to indicate the responsible person making the determination.

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)

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

CREDIT CARD POLICY AND COMPLIANCE

The School utilized business credit cards for various purchases. We noted the following issues in our testing of five credit card payments:

- In four instances, credit card statements supporting the amounts paid could not be produced.
- In three instances, receipts supporting the purchases made could not be produced.

We also noted that the School does not have a written policy outlining the guidelines for use of the cards. Furthermore, credit card payments are made via electronic transfer rather than the check disbursement process.

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.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

CREDIT CARD POLICY AND COMPLIANCE, CONTINUED

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)

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

MARION COUNTY, INDIANA

Exit Conference

July 1, 2013 to June 30, 2014

The contents of this report were discussed on December 9, 2015 with John Marske (Board President and Finance Committee Member), Gary Meyer (Board Treasurer and Finance Committee Member), Bryon Ernest (Superintendent), Cindy Wright (Deputy Regional Vice-President, K12, Inc.), David Jenkins (Regional Finance Director, K12, Inc.), and Kathy Coe (Operations Manager). The Official Response has been made a part of this report and may be found on page 9.

Hoosier Academy Virtual Charter School

Management Responses to FY2014 Supplemental Audit Report

Title	Finding	Recommendations	Actions	Resolution Date	Contact Person
Employee Bond	The School did not maintain a cash bond or insurance policy covering employees handling cash receipts and disbursements during the 2014 fiscal year.	The organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements. 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 should represent an average amount of cash or receipts on hand during the school year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)	The school obtained a bond for the Head of School. In further discussions with the auditor, it was determined that the school's insurance coverage was sufficient for remaining staff.	8/2014	Byron Ernest
Capital Assets	The School maintains a property record for accounting purposes; however, the School did not conduct a physical inventory to verify that the assets recorded in the accounting records are still in use.	Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. 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)	The school will conduct an annual physical inventory by June 15 th of all capital assets and update their records accordingly.	9/2015	Kathy Coe
Payroll Compliance	The School was unable to provide employment contracts or other documentation to support employee pay rates. In addition, the School did not maintain attendance records for its employees.	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) The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)	Employment agreements have been signed by all employees and are on file in the school office. The school also implemented a new time off request procedure which includes cumulative tracking of attendance and absences.	8/2015	Kathy Coe
Cash Receipts and Deposits	In our audit, we examined records relating to cash received at the school	Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is	The school revised their cash receipt and deposit procedures	8/2015	Kathy Coe

	<p>pertaining to such items as testing, reimbursements, and room rentals. The School's records indicated only six receipts issued during the year. From these cash receipts transactions, we noted the following issues:</p> <ul style="list-style-type: none"> • In three instances, the School was unable to provide deposit slips to support the bank deposits. • All receipts were written at the time of deposit and not on the date funds were received. In addition, the receipts were not written to individuals, but were written as a total of all items received from multiple individuals. • For all items tested, receipts did not indicate the form of payment (i.e. cash, check, etc.). 	<p>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)</p> <p>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)</p>	<p>to include these recommendations. For bank deposits, a detailed deposit slip is prepared and maintained for each deposit. School staff also provides written receipts for all cash and checks received. These receipts are maintained in the school office and denote whether cash or checks are received.</p>		
Vendor Disbursements	<p>In our audit, we examined records relating to vendor disbursements by selecting items from throughout the year for a total of thirty-two items. For four of the items tested, an invoice or other supporting document could not be provided.</p>	<p>Charter schools may not draw a warrant or check for payment of a claim unless:</p> <ol style="list-style-type: none"> 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. <p>(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)</p>	<p>The school will ensure that source documentation is filed for all vendor disbursements.</p>	7/2015	Kathy Coe
Textbook Reimbursement	<p>We tested fifteen student applications for compliance with federal income eligibility guidelines. In this sample, the eligibility determinations were accurate, but the application (Form 521) was not completed fully to</p>	<p>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)</p>	<p>The school revised their textbook reimbursement procedures to include the completion of the Form 521.</p>	8/2015	Kathy Coe

	indicate the responsible person making the determination.				
Credit Card Policy and Compliance	<p>The School utilized business credit cards for various purchases. We noted the following issues in our testing of five credit card payments:</p> <ul style="list-style-type: none"> In four instances, credit card statements supporting the amounts paid could not be produced. In three instances, receipts supporting the purchases made could not be produced. <p>We also noted that the School does not have a written policy outlining the guidelines for use of the cards. Furthermore, credit card payments are made via electronic transfer rather than the check disbursement process.</p>	<p>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:</p> <ol style="list-style-type: none"> The charter school must authorize credit card use through an appropriate policy. Issuance and use shall be handled by an employee designated by the charter school. The purposes for which the credit card may be used must be specifically stated in the policy. 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. 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. 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. 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. If properly authorized, an annual fee may be paid. 	<p>School ended the use of school credit cards, immediately canceling all existing accounts. Purchases are made by check or through employee reimbursement.</p>	<p>7/2014</p>	<p>Kathy Coe</p>

		(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)			
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