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March 14, 2013

Charter School Board
Paramount School of Excellence, Inc.
3020 Nowland Avenue
Indianapolis, IN 46201

We have reviewed the Supplemental Audit Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 2010 to June 30, 2012. 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 5 through 8 contain six audit results and comments.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Paramount School of Excellence, Inc. 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.

State Board of Accounts



SUPPLEMENTAL AUDIT REPORT
OF
PARAMOUNT SCHOOL OF EXCELLENCE, INC.
MARION COUNTY, INDIANA
JULY 1, 2010 TO JUNE 30, 2012

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| School Officials | 3 |
| Transmittal Letter | 4 |
| Audit Results and Comments: | |
| Officials Bonds and Average Daily Membership (ADM) | 5 |
| School Lunch and Internal Controls over Receipting and Depositing | 6 |
| Conflicts of Interest and Indiana Special Education Charter Cooperative (ISECC) | 7-8 |
| Exit Conference | 9 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---|--|--|
| Business Manager | Adam Buck Shawna Ping | 07-01-10 to 01-12-12 01-12-12 to 06-30-12 |
| Head of School/Chief Executive Officer (CEO) | Thomas Reddicks | 07-01-10 to 06-30-12 |
| President of the School Board | Cathleen Nevin | 07-01-10 to 06-30-12 |
| Treasurer of the School Board | Jerry Shepherd Katie Etter Travis Tucker | 07-01-10 to 10-22-10 10-22-10 to 08-09-11 08-09-11 to 06-30-12 |



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

TO: PARAMOUNT SCHOOL OF EXCELLENCE, INC.

We have audited the records of the Paramount School of Excellence, Inc. for the periods from July 1, 2010 to June 30, 2012 and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Reports of Paramount School of Excellence, Inc. for the years ended June 30, 2012 and 2011.

A handwritten signature in black ink that reads 'Sikich, LLP' in a cursive, script font.

Sikich LLP

February 23, 2013

**PARAMOUNT SCHOOL OF EXCELLENCE, INC.
AUDIT RESULTS AND COMMENTS**

OFFICIALS BONDS

Officials bonds were not provided for the audit during the 2010-2011 school year.

The organizer shall 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 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, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM)

The Charter School did not maintain or make present for the audit records to substantiate the number of students claimed for ADM for 2010-2011 school year. Adequate written certification of ADM was not provided during the audit.

The Organizer shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9)

SCHOOL LUNCH

The Charter School did not present for audit of the 2010-2011 school year the complete SF-2, SF-2A or SF-3 daily forms.

School Food Form SF-2, Daily Record of Cash Received, categorizes cash receipts on a daily basis and must be totaled monthly.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 17)

School Food Form SF-2A, Daily Record of Meals/Milk Served, records daily the number of meals/milk served and must be totaled monthly and will be a source of information for preparation of the monthly claim for federal reimbursement.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 17)

School Food Form SF-3, Cash Disbursements and Fund Balance, is used to record on a daily basis the disbursements of the School Food Service Program and together with the SF-2 acts as the source information for the calculation of the fund balance as shown on the SF-3.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 17)

Forms SF-1, SF-2, SF-2A, and SF-3 shall be maintained on a daily basis and totaled monthly. These monthly totals are a source of information for preparation of the claim for federal reimbursement, the quarterly financial report, etc.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 17)

INTERNAL CONTROLS OVER RECEIPTING AND DEPOSITING

The written internal controls and accounting procedures provided by the School Corporation states that deposits are to be deposited within 48 hours of receipt. In a review of receipts, we were unable to determine the date of cash receipts since receipts were not issued to every individual from whom cash was received.

“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, Chapter 8)

CONFLICTS OF INTEREST

The Charter School did not maintain or make present for the audit records to substantiate that appropriate conflicts of interest policies were filed. During the 2011 school year the school was managed by Institute of School Excellence, Inc. (ISE) an not-for-profit corporation. During this time ion360 a for-profit corporation was contracted to provide technology services for the School. One of the directors of ISE was the sole proprietor of ion360.

The School also entered into a joint service agreement with Indiana Special Education Charter Cooperative (ISECC). ISECC does not have a separate governing board and relies on the governing board of the Institute for School Excellence.

“ A conflict of interest must be disclosed as follows:

1. A consultant shall file a conflict of interest disclosure if the consultant has a conflict of interest under IC 5-16-11-5.5.
2. The disclosure must describe the conflict of interest.
3. The consultant shall file the disclosure within ten (10) days of the earlier of the following events:
 - a. The closing day for receipt of bids.
 - b. The award of the contract.
4. The consultant shall file the disclosure required by IC 5-16-11-6 with the governing board, if the consultant contracts with the political subdivision. [IC 5-16-11-7]
5. The consultant shall make the disclosure required by IC 5-16-11-6 under affirmation. [IC516-11-6,7,8]”

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 13)

INDIANA SPECIAL EDUCATION CHARTER COOPERATIVE (ISECC)

During the 2010-2011 school year the Charter School entered into a joint services agreement with Indiana Special Education Charter Cooperative (ISECC) to provide special education related services. The agreement states "...this Agreement is authorized by Indiana Code 20-5-11 and shall be operated pursuant thereto." However, Indiana Code 20-5-11 does not authorize this type of agreement between a not for profit organization and a school corporation. This type of agreement is only allowable between two or more participating school corporations.

According to the joint services agreement, ISECC is "a service of the Institute for School Excellence, a 501(c) 3 organization under Indiana law governing non-profit organizations" and designated the Institute for School Excellence as the administrator and fiscal agent of the cooperative. ISECC does not have a separate governing board and relies on the governing board of the Institute for School Excellence.

The joint services agreement requires that all federal funds awarded to participating schools be used for ISECC operations and flow directly to ISECC. ISECC prepares and submits special education grant applications to IDOE each year on behalf of all participating schools as a cooperative program. IDOE awards each school an amount based on their eligibility under one project number for the cooperative. ISECC prepares and submits draw down and reimbursement requests as one amount under the cooperative project number. However, Institute for School Excellence and ISECC are not established as school corporations and are not entitled to receive funds directly from Indiana Department of Education (IDOE). Therefore, the Institute for School Excellence designates a participating school corporation each year to act as the Local Education Agency (LEA) to receive the special education grant funds. Once the grant funds are received by the LEA, they are immediately disbursed to ISECC. ISECC disburses the grant funds and retains all supporting documentation for their records. Summarized reports are provided to participating schools and the LEA upon request. However, detailed documentation to support the disbursements of special education grant funds by ISECC is not made available to participating schools or the LEA. Proper internal controls were not in place at the school corporation to ensure accountability for the federal funds awarded to them.

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

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

**PARAMOUNT SCHOOL OF EXCELLENCE, INC.
MARION COUNTY
EXIT CONFERENCE**

The contents of this report were discussed on February 28, 2013, with Thomas Reddicks, Head of School, and Shawna Ping, Business Manager. The officials concurred with our findings.