

NEIL ABERCROMBIE
GOVERNOR



CATHERINE PAYNE
CHAIRPERSON

STATE OF HAWAII
STATE PUBLIC CHARTER SCHOOL COMMISSION
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INFORMATIONAL SUBMITTAL

DATE: April 10, 2014

TO: Catherine Payne, Chairperson

FROM: Catherine Payne, Chairperson
Performance and Accountability Committee

AGENDA ITEM: Update on Hawaii Technology Academy’s Auditor’s Semi-Annual Financial Report in Accordance With Financial Monitoring of School

I. DESCRIPTION

Update on Hawaii Technology Academy’s (“HTA”) auditor’s semi-annual financial report in accordance with the State Public Charter School Commission’s (“Commission’s”) financial monitoring of the school.

II. UPDATE

At its General Business Meeting on September 12, 2013, the Commission approved the recommendation from the Performance and Accountability Committee to change HTA’s reviews by the external auditor from quarterly to semi-annually since reports were satisfactory. The first semi-annual review of six months ended December 31, 2013, and was completed February 24-25, 2014.

The Audit Status Memo report from the external auditor, dated February 28, 2014 is attached for your information and review as **Exhibit A**. The auditor’s review of cash receipts and inventory resulted in no findings. However, the review of cash disbursements resulted in finding three duplicate reimbursements. Fifty-two disbursements were tested and twenty were reimbursements to the school’s executive director. The auditor noted that all but three such reimbursements were supported by appropriate documentation and appropriately approved. The three reimbursements were noted to have duplicate receipts for travel expenses, which resulted in a total overpayment to the executive director in the amount of \$966.12. The executive director has since returned the overpayment to the school.

The next review of HTA will include the period January 1, 2014 through June 30, 2014 and will most likely coincide with the school’s annual audit.

Exhibit A

Audit Status Memo dated February 28, 2014

Audit Status Memo

February 28, 2014

Local School Board and Management of
Hawaii Technology Academy Public Charter School
94-810 Moloalo Street, 2nd Floor
Waipahu, Hawaii 96797

Ladies and Gentlemen,

As you are aware, the Local School Board has engaged our firm to conduct a semi-annual audit to verify that corrective action plans have been implemented according to previous recommendations. Our site visit for the semi-annual period ended December 31, 2013 was on February 24th and 25th. The following summarizes previous weaknesses identified, corrective action plans, audit procedures performed and our conclusions related to this semi-annual audit.

Cash Disbursements:

Material Weakness: During previous testing of cash disbursements in connection with our 2011 and 2012 audits, it was noted that a significant amount of disbursements initiated by upper management were not adequately reviewed and approved for reasonableness. As a result, adequate documentation was not received to provide assurance that certain disbursements are reasonable and consistent with the mission of the School.

Corrective Action Plan: Management agreed to implement procedures to allow for a detailed review and approval of all expenses, and bank and credit card statements. In addition, it was determined that the Fiscal Manager would meet with Local School Board at least monthly, and that quarterly and/or semi-annual audits would be performed by an independent CPA.

Audit Response: For the semi-annual period ended December 31, 2013, we tested 52 disbursements and noted that all disbursements were properly documented, approved and verifiable with the exception of three reimbursements. Of the 52 disbursements tested 20 were reimbursements to the Executive Director. We noted that all but three such reimbursements were supported by appropriate documentation and approved by the Local School Board. Three reimbursements were noted to have duplicated receipts for travel related expenses. This resulted in an overpayment in the amount of \$966.12 to the Executive Director.

Cash Receipts:

Material Weakness: The School previously received significant amounts of cash from parents, teachers and students. Cash received by the School administration was not logged into a receiving log or verified by two persons. No receipt log or counting procedures were noted. As a result, we were unable to verify that all cash received by the School was properly recorded and deposited.

Corrective Action Plan: Management agreed to implement procedures to allow for the receiving of cash by two persons who would then record all cash received onto a daily receipts log. All individuals paying cash to the School would be issued a Pre-Numbered receipt. Daily cash logs and receipts would be reconciled by administrative personnel and forwarded to the accountant for recording. The corrective action plan also states that the deposit logs are to be reconciled monthly to the bank statements by the member of the Local School Board responsible for reviewing the bank statements.

Audit Response: For the semi-annual period ended December 31, 2013, we noted that cash receiving procedures have been documented and implemented. We tested all deposits and noted that all cash received is entered into a log and verified by two additional persons. We also noted that there is a verification of all cash received and logged at the end of each month.

Inventory:

Material Weakness: In connection with our June 30, 2011 audit, we noted that the school does not maintain an accounting of all inventory type items purchased from the time they are received to the time they are properly used. The inventory items hereby noted are gift cards, computers, televisions, electronics, and various supplies.

Corrective Action Plan: Management agreed to perform a physical inventory for all assets to include gift cards. In addition, a purchase order is now required to be reviewed and approved prior to the purchase of any inventory or supplies are purchased.

Audit Response: Through inquiry and review of the accounting records, we noted that management has discontinued the purchase of gift cards. Gift cards previously purchased have been inventoried and are currently being maintained under lock and key.

In relation to the other inventory types of items noted above, for the semi-annual period ended December 31, 2013 there were no fixed assets purchases. Management is currently maintaining a schedule of fixed assets and will be conducting a physical count prior to the fiscal year end.

Based on our work performed for the semi-annual period ended December 31, 2013 it appears that corrective action plans recommended in connection with our previous audited have been implemented.

This communication is intended for the use of the Local School Board and Management and should not be used by anyone other than these specified parties.



Jennifer Martinez, CPA