



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
iLearn Academy Charter School Inc.:

In planning and performing our audit of the financial statements of *iLearn* Academy Charter School, Inc. (the Academy), as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, in connection with our audit, we identified, and included in the attached *Appendix I*, other matters as of September 30, 2017 that we wish to bring to your attention.

This report is intended solely for the information and use of the Board of Trustees and management of the Academy, the Guam Academy Charter School Council and other local agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions. We wish to thank the staff and management of the *iLearn* Academy Charter, Inc., for their cooperation and assistance during the course of this engagement.

A handwritten signature in black ink that reads "Burger Comer Magliari".

Tamuning, Guam
December 28, 2017

SAIPAN OFFICE

SUITE 203 MH II BUILDING
MARINA HEIGHTS BUSINESS PARK
P.O. BOX 504053, SAIPAN, MP 96950
TEL NOS. (670) 235-8722 (670) 233-1837
FAX NOS. (670) 235-6905 (670) 233-8214

GUAM OFFICE

HENGI PLAZA, SUITE 201
278 SOUTH MARINE DRIVE
TAMUNING, GUAM 96911
TEL NOS. (671) 646-5044 (671) 472-2680
FAX NOS. (671) 646-5045 (671) 472-2686

SECTION I – CONTROL DEFICIENCIES

We noted certain matters related to control deficiencies involving the Academy's internal control over financial reporting as of September 30, 2017 and other matters that remain uncorrected that we wish to bring to your attention as follows:

Repeat Comments

Segregation of Duties

There is a lack of segregation of duties within the Accounting Department/Business Office. Almost all the accounting duties are performed by the Business Office Manager; however, we did note that account reconciliations, check disbursements, cash receipts and deposits are reviewed and approved by either the office manager, principal, board treasurer or chairman of the Board of Trustees. We recommend that management consider hiring additional accounting personnel in the business office to properly segregate the accounting functions in the business office and still maintain the monitoring and review functions to implement an effective system of internal control.

Accounting Policies and Procedures

The Academy has not fully documented its accounting policies and procedures. We recommend that the Academy document all of its accounting policies and procedures that are currently being practiced but not written and formally approved by the Board of Trustees.

Fixed Assets Capitalization Policy

Fixed assets used by the Academy are provided via the A+ Contract. Although the Academy does not account for fixed assets, we recommend that the Academy establish and implement a capitalization policy for any fixed assets acquired by the Academy.

Revenue Recognition

We noted a difference in the recognition of revenue between the Academy and the Guam Department of Education's (GDOE) Internal Audit Department. In obtaining a confirmation from GDOE stating the amount due to the Academy, we noted that GDOE entitles the Academy to \$5,500 for every student enrolled—regardless of the time of enrollment. On the other hand, the Academy was recognizing revenue on a pro-rated basis, in which the \$5,500 was divided amongst the months in a school year (9 months) and multiplied by the number of months each student was enrolled. Therefore, the amount due to the Academy was higher on the GDOE confirmation compared what the Academy expected to receive. As clarified with GDOE's Chief internal auditor, the amount of \$5,500 still applies to the Academy regardless of when the student was enrolled. However, this amount represents the maximum amount that can be reimbursed to the Academy based on submitted invoices which have been validated. At the end of the school year, any revenue entitled to the Academy that has not been claimed through submitted invoices will not be paid.

APPENDIX I

Revenue Recognition, continued

Therefore, the maximum amount will be reset the following school year based on enrolled students. We recommend that iLearn seek written clarification from GDOE on how funds will actually be allotted to the Academy (either based on actual student enrollment or based on an approved maximum level of students on an annual basis).

Reconciliation of Bank Account

We are aware that at the end of each month, the Business Manager performs the bank reconciliation and performs daily financial and accounting duties for the Academy. To increase the segregation of duties, we recommend that an official other than the Business Manager, such as an officer manager, perform the bank reconciliation. Another option may be that an officer thoroughly reviews monthly bank reconciliations prepared by the Business Manager and sign and date as the reviewer. The increase of segregation of duties will strengthen the internal controls as well as decrease the risk of fraud.