



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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March 26, 2015

Charter School Board
The Hammond Urban Academy, Inc.
33 Muenich Court
Hammond, IN 46320

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 5 contain five audit results and comments. Management's response is on page 7 and 8.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for The Hammond Urban Academy, 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.

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

SUPPLEMENTAL AUDIT REPORT
OF
THE HAMMOND URBAN ACADEMY, INC.
LAKE COUNTY, INDIANA
July 1, 2013 to June 30, 2014

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

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THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

School Officials

July 1, 2013 to June 30, 2014

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Kris Sakelaris	07/01/13 – 06/30/14
School Leader	Sean Egan	07/01/13 – 06/30/14
Treasurer	Mahdee Iqbal	07/01/13 – 06/30/14

The Board of Directors
The Hammond Urban Academy, Inc.

We have audited the financial statements of **The Hammond Urban Academy, Inc.** (the "School") as of and for the year ended June 30, 2014 and have issued our report thereon dated January 21, 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
January 21, 2015

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THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

July 1, 2013 to June 30, 2014

PAYROLL POLICIES

We selected a sample of fifteen employees from the 2014 fiscal year with which to test the process for calculating, accumulating and recording payroll expense. From this sample, we noted that two employees did not have updated employment contracts to document their pay rates.

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)

UNCOLLECTIBLE ACCOUNTS

The School collects fees for textbook rentals to those students that do not qualify for state reimbursement as well as fees relating to other School activities. 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)

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

EXTRA-CURRICULAR ACTIVITIES

The School maintains a number of bank accounts managed by teachers and staff personnel for various extra-curricular activities. Neither the cash balance, which amounted to \$12,454 at June 30, 2014, nor the activity for the year are recorded on the School's accounting records.

Special Funds may be established to account for money received by a school corporation for a specific purpose or purposes if no local tax revenues are involved. These Funds may be supported by gifts, donations, endowments or be established pursuant to federal statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

CREDIT CARD USAGE

We selected a sample of five credit card payments from the 2014 fiscal year with which to test the processes for credit card purchases. From this sample, we noted that interest and penalties were being charged to the school for delinquent payment.

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 is the responsibility of that officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including meals, fees, and various other items. We selected twenty-five receipts from throughout the 2014 fiscal year with which to test the process for receipt and deposit of funds. Procedures were in place to process cash collections; however, we noted the following issues:

1. Eight of the twenty-five payments were not deposited timely. The lapse of time between collection and deposit ranged from 6 to 25 days.
2. Six of the twenty-five receipts were not properly completed, specifically, the payment-type (cash, check, etc.) was not identified.
3. For five of the twenty-five receipts, adequate documentation was not included with the deposit information to verify that the payments selected were part of the amount deposited. A listing of payments comprising the deposit were included with each deposit; however, the listings did not identify the payers or the corresponding receipt numbers in these instances.

All charter school money must be deposited in the designated depository not 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)

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)

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Exit Conference

July 1, 2013 to June 30, 2014

The contents of this report were discussed on March 10, 2015 with Sean Egan (School Leader), Mahdee Iqbal (Business Manager), Kris Sakelaris (Board President), Owana Miller (Board Secretary), and other members of the Board of Directors, including Mark McLaughlin, Heather Garay, Heather Cook, Rita Brusca-Vega, Howard Cohen, Anne Herbert, and Janet Venecz. The Official Response has been made a part of this report and may be found on page 7.



Formal Response to Audit Findings for Year Ended June 30, 2014

Date: March 19, 2015

Following discussion with Auditor on March 10, 2015.

Document: Supplemental Audit Report

1. Payroll Policies:

- (a) The Business Manager will respond to the audit finding whereby two employees did not have updated employment contracts to document pay rates by maintaining documentation for mid year pay rate changes along with respective contracts reflecting updated rates of pay.

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

2. Uncollectable Accounts:

- (a) Per direction of the Board of Directors, the school will set a time period for the collection of Textbook Rental fees for a school year, upon the expiration of which the school will enact a formal policy for the collection of delinquent fees. Failure to collect the fees as per the formal policy within a specified time frame, as per the direction of the Board of Directors, will result in a write-off of the debt, which will be in the form of a document signed and retained by the Assistant Business Manager. As of the date of writing of this document, decision is still pending from the board as to cut off date for writing off bad debts.

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

3. Extra Curricular Activities

- (a) Line items in trial balance will be introduced to account for extra curricular activities in terms of funds raised, funds spent and interest generated.

(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

4. Credit Card Usage:

- (a) Policies have been drafted and approved for appropriate credit card usage. Automatic payments of current balances system has been established with credit card company as of February 3, 2015 to avoid late payments and penalties.

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

5. Receipts and Deposits:

- (a) Deposits are now made daily, unless amount collected is less than \$100, in which case the deposit is made the day on which the accumulated collections exceed the stated amount.

(b) Payment type will be carefully identified in each receipt.

- (c) The assistant business manager maintains that collections from selling school branded apparels are too numerous to be accounted for identifying each purchaser and are marked as lump sums on deposit schedules.

(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)