



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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December 12, 2012

Charter School Board  
21<sup>st</sup> Century Charter School @ Gary, Inc.  
556 Washington Street  
Gary, IN 46402

We have reviewed the Supplemental Audit Report prepared by Katz, Sapper & Miller, 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 3 through 6 contain eight audit results and comments.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for 21<sup>st</sup> Century Charter School @ Gary, 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  
21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
LAKE COUNTY, INDIANA**

JULY 1, 2010 TO JUNE 30, 2012

# 21ST CENTURY CHARTER SCHOOL @ GARY, INC.

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# 21ST CENTURY CHARTER SCHOOL @ GARY, INC.

## SCHOOL OFFICIALS

<b>Office</b>	<b>Official</b>	<b>Terms</b>
Treasurer	Dana Johnson	07-01-11 to 06-30-14; 07-01-08 to 06-30-11
Superintendent of Schools	Kevin Teasley	07-01-11 to 06-30-14; 07-01-08 to 06-30-11
President of the Charter School Board	Alyce Butler	07-01-11 to 06-30-14; 07-01-08 to 06-30-11

*Independent Auditors' Supplemental  
Audit Report*

Board of Directors  
21st Century Charter School @ Gary, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 21st Century Charter School @ Gary, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated November 2, 2012.

In connection with our audits, nothing came to our attention that caused us to believe that 21st Century Charter School @ Gary, Inc. failed to comply with the conditions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*, as outlined in the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts, except as stated in the Audit Results and Comments.

This report is intended solely for the information and use of the Board of Directors and management of 21st Century Charter School @ Gary, Inc. and the Indiana State Board of Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
November 2, 2012

**21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS**

**Years Ended June 30, 2012 and 2011**

**CONDITION OF RECORDS**

The Charter School has not established controls to ensure that fund balances reported from one financial accounting period to the next agree. A similar comment appeared in prior Report B38577.

At June 30, 2012 and 2011, the Charter School had grant money held in certain funds that was not spent during the grant period. Officials of the Charter School have not contacted the Indiana Department of Education to determine disposition of the funds. A similar comment appeared in prior Report B38577.

A fund, as used in the manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 3)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 9).

## **BOARD MINUTES**

It was noted from the review of the minutes that approval of claims or accounts payable vouchers was not discussed. Claims are signed as approved by the Board President, but the minutes are unclear as to if the claims are presented to the entire Board for approval. A similar comment appeared in prior Report B38577.

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, Chapter 2).

## **PRESCRIBED FORMS**

The computer-generated ledgers during the 2010-2011 school year were not approved for use by the State Board of Accounts. A similar comment was reported in prior Audit Reports. The computer generated ledgers during the 2011-2012 school year were approved for use by the State Board of Accounts.

The capital asset inventory is not kept on a prescribed or approved form.

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, Chapter 10)

## **ANNUAL REPORT**

The Form 9 information for the 2010-2011 school year was filed on March 1, 2011 and August 9, 2011 and the Form 9 information for the 2011-2012 school year was filed on February 10, 2012 and August 1, 2012. The School did not comply with Indiana Department of Education guidelines.

The Indiana Department of Education requires Charter schools 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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

## **SCHOOL LUNCH**

The Charter School did not present for audit the complete, submitted CND-1 reports or the SF-2, SF-2A or SF-3 daily forms.

The Charter School did not present for audit a subsidiary record of prepaid accounts for school lunch, by student.

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)

Subsidiary records by student must be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 17)

## **REPORT OF EMPLOYEES AND COMPENSATION NOT FILED**

The Charter School did not prepare or file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (General Form 100R) for 2010-2011 school year. A similar comment appeared in prior Report B38577. The Charter School did prepare and file the General Form 100R for 2011-2012 school year.

Indiana Code 5-11-13-1 states in part, "Every ... school official ... shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names, and business addresses of each and all officers, employees ... and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

## **OFFICIALS BONDS**

Officials bonds were not provided for audit, or found recorded, for the School Treasurer and the Extra-Curricular Treasurer. A similar comment appeared in prior Report B38577.

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)

**CONDITION OF RECORDS (Applies to Extra-Curricular Account)**

Financial records presented for audit were incomplete and not reflective of the activity of the Extra-Curricular Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

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 Extra-Curricular Accounts, Chapter 7)

***21ST CENTURY CHARTER SCHOOL @ GARY, INC.  
LAKE COUNTY  
EXIT CONFERENCE***

The contents of this report were discussed on November 2, 2012 with Dana Johnson, Treasurer.