



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 28, 2014

Charter School Board
Charter School of the Dunes, Inc.
7300 Melton Road
Gary, IN 46403

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2011 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 5 contain six audit results and comments. Management's response is on page 7.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Charter School of the Dunes, 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
CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

July 1, 2011 to June 30, 2012

CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

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CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

School Officials

Year Ended June 30, 2012

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Danielle Sleight	07/01/11 – 06/30/12
Principal	Christine Pepa	07/01/11 – 06/30/12
Treasurer	Marikite Segrest	07/01/11 – 06/30/12

The Board of Directors
Charter School of the Dunes, Inc.

We have audited the financial statements of **Charter School of the Dunes, Inc.** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated June 12, 2013. 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
June 12, 2013

CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2012

VENDOR DISBURSEMENTS

We selected and examined a sample of 40 cash disbursement transactions from throughout the year. Within this sample we noted the following:

- In 6 instances, fund numbers were not reflected in the account code on the accounts payable voucher.
- In 4 instances, no account number or object code was recorded on the accounts payable voucher.

A fund, as used in the manual, represents money 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, Part 3).

Each expenditure account can be identified with the fund from which it may be disbursed by reviewing the master chart of expenditure accounts in this part. Proper accounting for disbursements on prescribed School Form No. 512, Ledger of Appropriations, Allotments, Encumbrances, Disbursements and Balances, may be attained by following the procedures in this Part. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 5).

CAPITAL ASSETS

The School maintains a record of capital assets for accounting purposes; however, the School does not routinely conduct a physical inventory of its capital assets as a means to verify its asset records. A complete record of assets, whether capitalized or expensed, should also be produced and maintained for disaster recovery purposes.

Every charter school must have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory must be recorded on the applicable Capital Assets Ledger. A complete inventory shall be taken for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15).

CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

TEXTBOOK RENTAL & SCHOOL LUNCH REIMBURSEMENT

We selected a sample of 15 students for the purpose of verifying the income eligibility for subsidized meals and textbook reimbursement. Within this sample we noted:

- Three of the 15 applications resulted in an inaccurate determination of eligibility.
- None of the applications contained evidence of the person responsible for the eligibility determination.

The exceptions found in our audit are similar to those noted in an examination by the Indiana Department of Education, which resulted in a repayment of federal nutrition funding.

Charter schools must provide accurate information to the Indiana Department of Education pertaining to the number of students that received free/reduced textbooks. If a variance occurs between the charter school records and the report provided the IDOE, then written communication must also request a determination if any increases or decreases in funding will result to the charter school because of the variance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

TICKET SALES

The School charges admission to various athletic and other school events; however, it does not use pre-numbered tickets or reconcile ticket sales via the SA-4 Ticket Sales Form.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

ELIGIBILITY VERIFICATION

Two applicants were selected for eligibility verification with regard to the school nutrition program; however, the verification consisted only of communication with the applicants regarding any change in status. The School did not request documentation to substantiate the information submitted on the application.

An error for purposes of the test-check is an approved application, attempted to be verified that cannot be verified by the program participants with requested income verification information (i.e., paycheck stub, W-2, etc.). Program participants who have an application that cannot be verified are not always dropped from the free and reduced-price meal program and corrections in reporting and additional testing does not always occur.

The State Board of Accounts is of the audit position charter schools shall request a written position from the Indiana Department of Education stating whether the corrective action taken was sufficient or if additional verifications need to be performed when high incidences of errors in test sample verifications are noted. The written communication to the Department of Education must also request a determination if any increases or decreases in funding will result to the charter school because of the concerns noted with the verification process. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17).

EXTRA-CURRICULAR ACTIVITIES

The School records funds received for student activities in the general fund. Use of separate extra-curricular activity funds to record money set aside for student activities would facilitate accountability.

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).

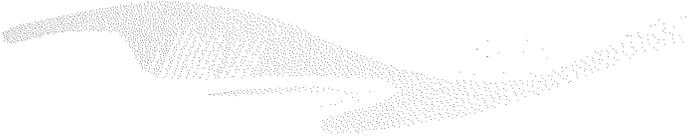
CHARTER SCHOOL OF THE DUNES, INC.

LAKE COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2012

The contents of this report were discussed on June 17, 2013, with Danielle Sleight (Board President), Christine Pepa (Principal), and Marikite Segrest (Treasurer). The Official Response has been made a part of this report and may be found on page 7.



Charter School of the Dunes

7300 E. Melton Road, Gary, IN 46403 ♦ Phone: (219) 939-9690 ♦ Fax: (219) 939-9031
www.csdunes.org

September 12, 2013

Mr. Eugene P. Fitzgerald,

This letter is in response to the findings in the July 1, 2011 to June 30, 2012 Supplemental Audit Report.

- **Vendor Disbursements.** During part of the auditing period we had American Quality Schools, our management company, doing our accounting and we found that they did not use the proper fund numbers and account codes. Once we hired Bookkeeping Plus as our accountants in the middle of the same auditing period we corrected those inaccuracies.
- **Capital Assets.** We will conduct and maintaining a physical inventory of all assets for now on.
- **Textbook Rental and School Lunch Reimbursements.** To remedy this issue we changed our enrollment forms so it includes the Free and Reduced Lunch application. A student is not enrolled until the form is completely and accurately filled out. Once the form is completed it is verified & signed off on by the registrar.
- **Ticket Sales.** We now keep all ticket stubs along with a receipt of deposit for all athletic and school events.
- **Eligibility Verification.** This is now part of the enrollment process. Please refer to Textbook Rental and School Lunch Verification.
- **Extra-Curricular Activities.** All deposit slips are identified to which fund the deposit is to designated.

Please feel free to contact me if you have any questions.

Danielle Sleight
Cool/Founder
Charter School of the Dunes
dsleight@csdunes.org