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December 30, 2014

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

We have reviewed the Supplemental Audit Report prepared by Crowe Horwath LLP, 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 six audit results and comments. Management's responses directly follow each finding.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for 21st 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.

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

INDIANA STATE BOARD OF ACCOUNTS
COMPLIANCE REPORT OF
21ST CENTURY CHARTER SCHOOL @ GARY, INC.

LAKE COUNTY, INDIANA
July 1, 2013 to June 30, 2014

21ST CENTURY CHARTER SCHOOL @ GARY, INC.

LAKE COUNTY, INDIANA
July 1, 2013 to June 30, 2014

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21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHOOL OFFICIALS
July 1, 2013 to June 30, 2014

Office	Official	Term
Lead Principal	Christopher Evans	July 1, 2013 to June 30, 2014
Treasurer	Dana Johnson	July 1, 2013 to June 30, 2014
President of the Charter Board	Alyce Butler	July 1, 2013 to June 30, 2014

INDEPENDENT ACCOUNTANTS REPORT ON COMPLIANCE
WITH GUIDELINES FOR THE AUDITS OF CHARTER
SCHOOLS PERFORMED BY PRIVATE EXAMINERS

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

We have audited the financial statements of 21st Century Charter School @ Gary, Inc. ("School") as of and for the year ended June 30, 2014, and have issued our report thereon, dated October 30, 2014.

In connection with that audit and with our consideration of School's internal control as required by the *Guidelines for the Audits of Charter Schools Performed by Private Examiners* ("Guide"), issued by the Indiana State Board of Accounts, we performed procedures prescribed under the Guide for the year ended June 30, 2014.

As required by the Guide, we performed procedures to test compliance with the requirements that are applicable to the School. Our procedures were substantially narrower in scope than an audit, the objective of which is the expression of an opinion on the School's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings as items 14-001, 14-002, 14-003, 14-004, 14-005, and 14-006.

The purpose of this report is solely to describe the scope of our testing over compliance with the requirements prescribed under the Guide and the results of that testing, and not to provide a legal determination of compliance with those requirements. Accordingly, this report is not suitable for any other purpose.

The School's responses to the findings identified are described in the accompanying Schedule of Findings. The School's responses were not subjected to the procedures applied and, accordingly, we express no opinion on them.



Crowe Horwath LLP

Indianapolis, Indiana
October 30, 2014

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF FINDINGS
July 1, 2013 to June 30, 2014

FINDING 14-001: ACCURACY OF REQUIRED REPORTS

Criteria: Part 9 of the Indiana Charter School Manual states in part, *“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.”*

Condition: Cash reported on the Form 9 Biannual Financial Reports was overstated by \$487,779 on the 12/31/2013 report.

Recommendation: We recommend the School perform reconciliations to ensure accurate reporting of cash basis information on the Form 9 Biannual Financial Report before submission to the Indiana Department of Education.

Management Response: The discrepancy on the Form 9’s was due to the fact that previous reconciliations included bond funds held by the trustee of the bond issuance program. After consultation with the Department of Education, we determined that only operating checking cash balances should be utilized, and made the correction on the June 30, 2014 submission.

FINDING 14-002: COMPLIANCE WITH PUBLIC WORKS LAWS

Criteria: Part 16 of the Indiana Charter School Manual references IC 36-1-12 for public works projects.

Bidding Procedures: IC 36-1-12-4 states in part, *“the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed.”*

Financial Statement: IC 36-1-12-4 states in part, *“The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts.”*

Contractor’s Bid for Public Work: The form prescribed by State Board of Accounts for use by contractors for submitting bids on public work projects is Contractor’s Bid for Public Work – Form 96.

Condition: It was noted during inquiry with management that the School did not comply with public works laws, as outlined by IC 36-1-12, as the School obtained outside legal advice that compliance was not required in this case. Specifically (1) the School did not publish notice in accordance with IC 5-3-1 (2) the School did not request financial statements of contractors (3) the School did not utilize forms prescribed by the State Board of Accounts for receiving bids.

Recommendation: We recommend compliance with IC 36-1-12 for all public works projects.

Management Response: Although the School was advised by outside legal counsel that public bidding laws were not relevant in this case, the School did collect competitive bids from local companies in the construction of new high school building, many of whom were awarded the final contracts.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF FINDINGS
July 1, 2013 to June 30, 2014

FINDING 14-003: PAYROLL PROCEDURES

Criteria: Part 8 of the Indiana Charter School Manual states in part, “*The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. The organizer must designate an employee to review supporting documentation to ensure payments are accurate and due the employee for services rendered.*”

Condition: During testing of payroll, it was noted one employee was underpaid \$340 for five payroll periods. Also noted was that an employment contract for another employee stated an incorrect base salary rate.

Recommendation: We recommend the School correct the payroll errors and subsequently maintain adequate records that document each employee’s pay and perform periodic reviews of payroll based on salaries and wages listed in work agreements to avoid payroll discrepancies.

Management Response: The School acknowledges the error, and has added an additional layer of review to prevent such errors in the future.

FINDING 14-004: RECEIPTS

Criteria: Part 8 of the Indiana Charter School Manual states in part, “*Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment.*”

Condition: During testing of receipts and deposits, it was noted that five receipts, in a sample of 32, were not issued and copies retained. The receipt prescribed by the SBOA (Form No. 509) is to be signed and acknowledged by the Treasurer, or equivalent.

Recommendation: We recommend the School issue, and retain copies of, receipts at the time of the transaction for all receipts of funds. All receipts should be reviewed and acknowledged by signature of the Treasurer, or equivalent.

Management Response: The School acknowledges the error, and has added an additional layer of review to prevent such errors in the future.

FINDING 14-005: DEPOSITS

Criteria: Part 8 of the Indiana Charter School Manual states in part, “*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.*”

Condition: During testing of ticket sales for extracurricular activities, it was noted that daily deposits were not performed for cash received from ticket sales.

Recommendation: We recommend the School ensure that monies received be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository.

Management Response: The importance of daily deposits has been reviewed with School personnel, and this process has been corrected.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF FINDINGS
July 1, 2013 to June 30, 2014

FINDING 14-006: MAINTENANCE OF CAPITAL ASSET INVENTORY

Criteria: Part 10 of the Indiana Charter School Manual states in part, “*All charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, if desirable to have a prescribed form modified to conform for computer applications, a letter and copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval.*”

Condition: The capital asset inventory is maintained, however, it is not maintained by a prescribed or approved form (Form 369).

Recommendation: We recommend the School work with the Indiana State Board of Accounts (SBOA) to determine an appropriate Capital Assets Ledger to maintain the capital asset inventory. We also recommend the School perform an annual inventory count to ensure capital asset inventory is up-to-date and no assets are impaired. Further, capital asset purchases charged to federal grants should be properly identified on the capital asset inventory to include location, condition, and the percentage of federal participation in the cost.

Management Response: The School maintains all inventory information in a manner that meets all State Board of Accounts requirements, and all inventory is fully and accurately accounted for. The School will work with the SBoA to have our own forms formally approved.

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21ST CENTURY CHARTER SCHOOL @ GARY, INC.
EXIT CONFERENCE
July 1, 2013 to June 30, 2014

The contents of this report were discussed on October 29, 2014, with Dana Johnson, Treasurer. The Official Response has been made a part of this report and may be found immediately following the findings on the previous pages.