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December 30, 2014

Charter School Board
Gary Middle College, Inc.
556 Washington St.
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 and 4 contain five 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 Gary Middle College, 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
GARY MIDDLE COLLEGE, INC.

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

GARY MIDDLE COLLEGE, INC.

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

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GARY MIDDLE COLLEGE, INC.
SCHOOL OFFICIALS
July 1, 2013 to June 30, 2014

Office	Official	Term
Principal	Tim Pivarnik	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
Gary Middle College, Inc.
Gary, Indiana

We have audited the financial statements of Gary Middle College, 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, and 14-005.

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

GARY MIDDLE COLLEGE, 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 understated by \$4,671 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 School acknowledges the error, and has added an additional layer of review to prevent such errors in the future.

FINDING 14-002: ADVANCE PAYMENTS

Criteria: Part 10 of the Indiana Charter School Manual states in part, *“Compensation and any other payments for goods and services shall not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee.”*

Condition: During testing of vendor disbursements, it was noted an advance payment was made to 21st Century Charter School @ Gary during January 2014 for May 2014 rent.

Recommendation: We recommend payments for goods and services to not be paid in advance, unless specifically authorized by statute.

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

FINDING 14-003: PENALTIES, INTEREST, AND OTHER CHARGES

Criteria: Part 10 of the Indiana Charter School Manual states in part, *“Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.”*

Condition: During testing of vendor disbursements, we noted 2 instances in a sample of 32, in which penalties were remitted on behalf of late disbursements.

Recommendation: We recommend the School remit payment for goods and services timely in order to prevent an assessment of late charges or penalties by the vendor.

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

GARY MIDDLE COLLEGE, INC.
SCHEDULE OF FINDINGS
July 1, 2013 to June 30, 2014

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 three 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: 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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GARY MIDDLE COLLEGE, 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.