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September 20, 2016

Charter School Board  
Hammond Urban Academy  
5246 Hohman Avenue  
Hammond, IN 46320

We have reviewed the Supplemental Audit Report prepared by Donovan P.C., Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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 to 4 contain four audit results and comments.

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

**The Hammond Urban Academy, Inc.**  
**(Lake County, Indiana)**

Supplemental Audit Report  
July 1, 2014 to June 30, 2015

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**The Hammond Urban Academy, Inc.  
Lake County, Indiana**

**School Officials  
July 1, 2014 to June 30, 2015**

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Office	Official	Term
President of Board of Directors	Kris Sakelaris	07/01/14 - 06/30/15
School Leader	Sean Egan	07/01/14 - 06/30/15
Treasurer	Mahdee Iqbal	07/01/14 - 06/30/15



RSM US LLP

To the Board of Directors  
**The Hammond Urban Academy, Inc.**  
Lake County, Indiana

We have audited the financial statements of **The Hammond Urban Academy, Inc.** (the "School") as of and for the year ended June 30, 2015 and have issued our report thereon dated August 16, 2016. 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 accompanying Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

*RSM US LLP*

Elkhart, Indiana  
August 16, 2016

**The Hammond Urban Academy, Inc.**

**Audit Results and Comments  
July 1, 2014 to June 30, 2015**

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**Vendor Disbursements**

The School disburses vendor payments for various expenses throughout the fiscal year. We selected twenty-five disbursements throughout the 2015 fiscal year to test the process for vendor disbursements. Procedures were in place to process vendor disbursements; however, we noted the following issues:

1. One of the twenty five selections tested was not disbursed timely and resulted in additional payment of fees and interest. Total paid as a result of interest and penalties was \$37.40.
2. Four of the twenty five selections tested included the payment of sales tax. The School is eligible for state sales tax exemption on purchases. Total sales tax paid on the four selected disbursements was \$334.29.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application should be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**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 2015 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. Nine of the twenty-five payments were not deposited timely. The lapse of time between collection and deposit ranged from 2 to 11 days.
2. Seven of the twenty-five payments did not have receipts issued and recorded for the cash transaction. Amount was verified as deposited using deposit listing but it could not be determined if cash had been deposited timely due to the lack of receipt.

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. 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.)

**The Hammond Urban Academy, Inc.**

**Audit Results and Comments  
July 1, 2014 to June 30, 2015**

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**Bond**

The School has obtained a cash bond on their behalf to protect from employee theft, fraud, errors, and omissions. The total value of the bond the School has is \$100,000. However, the average amount of cash or receipts on hand during the 2015 school year that the employee designated to handle cash had access to was in excess of the School's bond protection.

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, Part 8).

**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 \$26,227.36 at June 30, 2015, 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 special 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. A ledger account on prescribed Form Number 508 must be established for each fund. Each fund account will serve as a control account for all receipt and disbursement transactions pertaining to that fund. In addition, a ledger account on Form Number 508 must be established for the "All Funds Control" to which all receipts and disbursements for all funds shall be posted. (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.)

**The Hammond Urban Academy, Inc.**

**Exit Conference**

**July 1, 2014 to June 30, 2015**

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The contents of this report were discussed 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 the following pages.



## **Formal Response to Audit Findings for Year Ended June 30, 2015**

Date: August 16, 2016

Document: Supplemental Audit Report

1. Vendor Disbursements:

Interest payments occurred during the initial payments system set up of the school credit card, it has not happened since.

Sales tax is often unavoidable – the school has a practice of reimbursing teachers for items purchased and expenses incurred on school business which are not eligible for tax exemption at the time of purchase. Also hotels and meals are not tax exempt even if used by individuals on school business. A copy of the general sales tax exemption will be provided to all staff.

2. Receipts and Deposits:

Following a change in personnel, the receipt and related record keeping for deposits has improved greatly and adhere to all suggestions made in the supplemental audit report including designation of cash/check/form of payment plus daily bank deposits.

3. Bond:

There is a dual signing requirement for all payments made other than through the use of credit cards which only has a \$10,000 limit.

4. Extra Curricular Activities

Another decision for the school leader and the board of directors to make – whether or not to bring all ECA accounts under a separate 501c3.