



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
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March 8, 2024

Charter School Board
Duneland Charter School, Inc.
d/b/a Discovery Charter School
Porter County, Indiana

We have reviewed the Supplemental Audit Report for Duneland Charter School, Inc. d/b/a Discovery Charter School prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. 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 on page 3. Management's response can be found on pages 5.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

SUPPLEMENTAL AUDIT REPORT

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL**

PORTER COUNTY, INDIANA

JULY 1, 2022 TO JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2022 – JUNE 30, 2023**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Lisa Gonzalez	07/01/22 – 06/30/23
Treasurer	Suzanne Radzik	07/01/22 – 06/30/23
Superintendent	Ernesto Martinez	07/01/22 – 06/29/23
Executive Director	Greg Guernsey	06/29/23 – 06/30/23



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials
Duneland Charter School, Inc.
dba: Discovery Charter School
Indianapolis, Indiana

We have audited the financial statements of Duneland Charter School, Inc. dba: Discovery Charter School (the School) as of and for the year ended June 30, 2023, and have issued our report thereon dated February 14, 2024. 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 Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 14, 2024

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2022 – JUNE 30, 2023**

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

An audit adjustment related to the Employee Retention Credit (ERC) grant program for \$605,574 was detected as a result of audit procedures. Given the uncertain nature of the ERC program and School eligibility under IRS audit, the receipts under this program were adjusted out of grant income and to a refundable advance as of June 30, 2023. The total ERC claim was recognized as accounts receivable with the related loss contingency of \$1,143,090. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around grant receivables and related loss contingencies are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. 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 about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

SUBMISSION AND ACCURACY OF REQUIRED REPORTS – 100R TESTING

During our testing of the 100R, we were unable to determine timely filing and accuracy of the filing for the December 31, 2022 100R report as the filing per the Indiana Gateway Website show that it had not been filed.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC 5-11-1-4. "Every state, county, city, town, township, or 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 agents ... 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 ... The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7." (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 9)

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2022 – JUNE 30, 2023**

The contents of this report were discussed with Greg Guernsey, Executive Director, Mariette Siler, Ball State University Charter Authorizer representative, and representatives from The Gabriele Group, outsourced accounting, on February 8, 2024. The School's official response has been made part of this report beginning on page 5.

RESPONSE TO SUPPLEMENTAL AUDIT JULY 1, 2022-JUNE 30, 2023

We acknowledge delinquency in the filing of Form 100R. We have implemented procedures that will ensure that it is timely filed in the future.

We accept the material weakness in our application of our Employee Retention Credit (ERC) to GAAP but would request this forum to cite mitigating circumstances. It would not be misleading to say that the COVID era federal programs presented a unique income measurement challenge in that they were unprecedented in their scope and complexity and will not likely recur again. We considered the measurement effect of accruing the ERC grant when application was made but concluded that, because qualifications for applications changed repeatedly in the early weeks after announcement, and the whole program became increasingly controversial, it was not proper to accrue the grant revenue. Furthermore, reserving the entire award by providing for its possible denial leaves us in the same position as if we had never applied for ERC. The Internal Revenue Service (IRS) reviewed the applications, refunded 2 of the 4 periods covered, then decided to audit the entire claim, virtually admitting that they were making up the rules contemporaneously as they watched yet another program sink into fraud and manipulation. We only regret that GAAP principles aren't flexible enough to prevent a material weakness in complying with federal grant programs that, to this day, are being granted and revoked in arbitrary decisions. We also regret that strict adherence to GAAP principles require us to remove the ERC grants from revenue but include in expense the commissions that were paid to the contractor to prepare the grant application when they are contractually obligated to return the commissions if the grants are disallowed after audit.

Management will review accrual procedures for grants so that grant revenue is properly recorded as of the financial statement date.





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