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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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January 8, 2013

Charter School Board
Indianapolis Lighthouse Charter School
1780 Sloan Avenue
Indianapolis, IN 46123

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2010 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 three audit results and comments.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Indianapolis Lighthouse Charter School 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

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2010 to June 30, 2012

Fitzgerald Isaac LLC
Certified Public Accountants

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

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INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

School Officials

Years Ended June 30, 2012 and 2011

Office	Official	Term
President of Board of Directors	Thakena Hogue	07/01/10 – 06/30/12
Superintendent	Kristie Sweeney	07/01/10 – 06/30/11
	John Huang	07/01/11 – 03/31/12
	Sarah Pies	04/01/12 – 06/30/12
Treasurer	Robert Stearns	07/01/10 – 06/30/12

Fitzgerald Isaac LLC
Certified Public Accountants

The Board of Directors
Lighthouse Academies of Indiana, Inc.

We have audited the financial statements of **Indianapolis Lighthouse Charter School** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 29, 2012. 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.

Fitzgerald / Isaac LLC

Indianapolis, IN
October 29, 2012

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Indianapolis, Indiana 46260
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INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments

Years Ended June 30, 2012 and 2011

CASH RECEIPTING AND DEPOSITING

In our audit, we examined records relating to cash receipts at the school pertaining to such items as uniform sales, student fees, fundraising, and field trips. From a sample of 50 cash receipts transactions comprising items from the 2011 and 2012 fiscal years and, we noted the following issues:

- Sixteen instances where it we were unable to trace collections from the initial receipt to the bank deposit.
- Fourteen instances where an indication of the form of payment (cash, check, etc.) was omitted.
- Multiple receipt books in use at the same time complicating the accounting for receipt issuance.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CAPITAL ASSETS

The School maintains a property record for accounting purposes, but this record does not include all assets in the possession of the School. A large number of assets with an initial cost of less than $5,000 have been expensed in accordance with the School's accounting policies. A complete record of assets, whether capitalized or expensed, should 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)

SCHOOL LUNCH ELIGIBILITY

The determination of eligibility for free and reduced meals for the year ended June 30, 2011 was subject to examination by the Indiana Department of Education. A number of issues were identified, including:

1. Twenty-two (22) instances where the student's eligibility status was incorrectly determined.
2. Four (4) instances where the student data was incomplete.
3. Evidence could not be provided to demonstrate that verification of income applications had been completed.

No instances of non-compliance were noted for the year ended June 30, 2012.

The results of test checks are to be reported to the Indiana Department of Education in accordance with 7CFR 245.6a...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.). (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17)

Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

(i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or

(ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year. (7CFR 245.6a)

INDIANAPOLIS LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

Exit Conference

Years Ended June 30, 2012 and 2011

The contents of this report were discussed on November 30, 2012, with Michael Ronan (Lighthouse Academies President and CEO), Sarah Pies (Superintendent), and Robert Stearns (Treasurer). The Official Response has been made a part of this report and may be found on pages 7 and 8.

Indianapolis Lighthouse Charter School

December 7, 2012

To: State Board of Accounts
302 West Washington St, Room E 418
Indianapolis, IN 46204-2765

From: Robert Stearns, Treasurer

OFFICIAL RESPONSE for Indianapolis Lighthouse Charter School

CASH RECEIPTING AND DEPOSITING

Audit comment: The school had instances where deposited items were not supported by individual receipts for sales to students of uniforms and collections from extra-curricular activities. It was noted that there were instances where issued receipts did not indicate the form of payment. It was also noted that multiple receipt books were in use at the same time complicating the accounting for receipt issuance.

School response: The school implemented change in May 2012 after another Lighthouse School's examination by the State Board of Accounts (SBOA). The school has implemented the following changes as commented on by the SBOA in relation to the SBOA's Extra-Curricular Accounts Manual:

- The school officer manager will be designated the Deputy Treasurer per the SBOA's Extra-Curricular Accounts manual and IC 20-41-1. The Deputy Treasurer will be bonded.
- The Deputy Treasurer will maintain control over the receipt books for student sales and Extra-Curricular Activities.
- The Deputy Treasurer will prepare and sign the extra-curricular receipts, noting the method of payment and retaining one copy for accounting and depositing and issuing the original receipt to the student. The accounting copy of the extra-curricular receipts will be retained with the deposit slip and the account entry receipt.
- Deputy Treasurers will maintain control over forms SA-8 which will be used by teachers or sponsors for collections in the classroom of extra-curricular activities. The teacher will complete the SA-8 and a listing of the students. The Deputy Treasurer will issue student receipts and retain one copy with the SA-8. The SA-8, listing and extra-curricular receipts will be retained with the deposit slip and the account entry receipt.
- Receipts will be deposited no later than the business day following the date of receipt. The name of the payer, the purpose of the receipt, and the form of payment and check number (if applicable) will be included in the receipt.
- Assistant treasurers will be deputized and bonded to assist in receipting. The treasurer's office will monitor bank transactions for daily deposits. Samples of deposits will be selected and analyzed to ensure compliance with policies and procedures. The results of this internal audit will be reviewed with the school's principals and regional superintendent.

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CAPITAL ASSETS

Audit comment: The School maintains a property record for accounting purposes, but this record does not include all assets in the possession of the School. A large number of assets with an initial cost of less than $5,000 have been expensed in accordance with the School's accounting policies. A complete record of assets, whether capitalized or expensed, should be produced and maintained for disaster recovery purposes.

School response: The school maintains a schedule for depreciation of capitalized fixed assets as described by the auditor's comment. The school also maintains a listing of all furniture and equipment on a data base using the software Trakker that notes the item, location and tag number. The asset data base is in the process of being updated for technology equipment which will include serial numbers in addition to tag numbers, location and user.

SCHOOL LUNCH ELIGIBILITY

Audit comment: During the audit for School year 2010-2011 there were instances noted by the Indiana Department of Education (IDOE) where eligibility status was incorrectly determined by the school, instances where the application was incomplete, and no record that the verification process was completed. No instances of non-compliance were noted for the school year 2011-2012.

School response: Personnel responsible for managing the free and reduced meals application process was trained in accordance with the school's internal written procedure manual that comply with USDA guidelines. Personnel were later changed and the errors were corrected within the school year to the satisfaction of the IDOE. Although there were no instances of non-compliance in the subsequent school year 2011-2012, improved monitoring will be implemented during the school year 2012-2013 including internal auditing and testing of the applications, and scheduling of the verification process.