



STATE OF INDIANA
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B43246

STATE BOARD OF ACCOUNTS
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February 19, 2014

Charter School Board
Monument Lighthouse Charter School
4002 N. Franklin Road
Indianapolis, IN 46226

We have reviewed the Supplemental Audit Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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 4 contain two audit results and comments. Management's response is on pages 6 through 7.

In addition to the report presented herein, a Financial Statements and Independent Auditors' Report for Monument 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
MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

July 1, 2012 to June 30, 2013

MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

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MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

School Officials

Year Ended June 30, 2013

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------------------|-----------------|---------------------|
| President of Board of Directors | Thakena Hogue | 07/01/12 – 09/30/12 |
| | Samuel Snideman | 10/01/12 – 06/30/13 |
| Superintendent | Sarah Pies | 07/01/12 – 06/30/13 |
| Treasurer | Robert Stearns | 07/01/12 – 06/30/13 |

The Board of Directors
Lighthouse Academies of Indiana, Inc.

We have audited the financial statements of **Monument Lighthouse Charter School** (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated December 9, 2013. 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.



Indianapolis, IN
December 9, 2013

MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

CASH RECEIPTS AND DEPOSITS

We were advised by school management that embezzlement had occurred during the period from July 1, 2012 to October 26, 2012, resulting in an identifiable loss of \$6,695. The embezzlement was the result of actions by the school business manager. This individual was terminated and prosecuted by law enforcement. Coverage of the loss was provided by insurance. During this period of time, there was an absence of receipt records and the lack of a clear audit trail from the accumulation of receipt documents to bank deposits.

We examined records relating to cash receipts at the school for the period subsequent to the embezzlement pertaining to such items as uniform sales, student fees, fundraising, and field trips. Our sample of 25 cash receipts transactions disclosed eleven (11) instances where the receipts sampled could not be traced to a bank deposit slip.

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 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)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any employee may be the personal obligation of the responsible employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

Audit Results and Comments, Continued

SCHOOL LUNCH ELIGIBILITY

In our audit sample of 15 students, we noted that the eligibility determination for three students was incorrect. In one instance, the student was determined to qualify for reduced cost meals when the student did not qualify for subsidy. In the second instance, the student was determined to qualify for free meals when the student actually qualified for reduced cost meals. In the third instance, no documentation was available to support the free meal status of a student.

Additionally, the School did not maintain any evidence supporting that income verifications were performed.

The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

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.).

The State Board of Accounts is of the audit position charter schools shall request a written position from the Indiana Department of Education stating whether the corrective action taken was sufficient or if additional verifications need to be performed when high incidences of errors in test sample verifications are noted. The written communication to the Department of Education must also request a determination if any increases or decreases in funding will result to the charter school because of the concerns noted with the verification process. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17)

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MONUMENT LIGHTHOUSE CHARTER SCHOOL

MARION COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on December 20, 2013 with Otty Westenfield (Chief Financial Officer, Lighthouse Academies, Inc.) and Howard Hammond (Controller, Indiana Lighthouse Charter Schools). The Official Response has been made a part of this report and may be found on page 6.

Lighthouse Academies of Indiana, Inc.

December 23, 2013

Fitzgerald/Isaac LLC
9245 N. Meridian St., Suite 302
Indianapolis, IN 46260
Attn: Eugene P. Fitzgerald

Re: Responses to SBOA Findings for Monument Lighthouse Charter School

Dear Sir:

CASH RECEIPTS AND DEPOSITS

Audit comment: We examined records relating to cash receipts at the school pertaining to such items as uniform sales, student fees, fundraising, and field trips. We were advised by school management that embezzlement had occurred during the year, resulting in an identifiable loss of \$6,695. During this period of time, there was an absence of receipt records and the lack of a clear audit trail from the accumulation of receipt documents to bank deposits. Receipt books and deposit information could not be produced for July through October, 2012. Eleven receipts could not be traced to a bank deposit slip.

School response: FY 2013 was a time of transition at Monument with two new principals and three business managers. The individual responsible for receipts and deposits to the bank during the time of embezzlement was terminated and prosecuted. A claim for the lost funds was filed with the insurance company, and proceeds were deposited to make it up. When this individual left, the receipt books and deposit information became missing.

MONUMENT AND SCHOOL LUNCH ELIGIBILITY

Audit comment: Eligibility determination for three out of fifteen students was incorrect. A student was determined to qualify for reduced cost meals when the student did not qualify for subsidy. A second student was determined to qualify for free meals, when the student actually qualified for reduced cost meals. The third student had no documentation available to support the free meal status determined. Additionally, the school did not maintain any evidence supporting that income verifications were performed.

School response: As stated before, FY 2013 was a time of transition at Monument with two new principals and three business managers. Most of the compliance issues were connected with the business manager, who was later terminated. The individual responsible for issuing the applications for free and reduced status was terminated prior to verification of applications. The

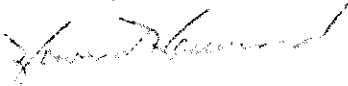
interim business manager verified the applications, but did not leave behind adequate records. As a result, there were uncorrected errors and inadequate records.

Policies and procedures surrounding free and reduced applications and verification have been reviewed with the School Operations Manager by both the Controller and Regional Operations Manager from Lighthouse Academies, Inc. The Regional Operations Manager is based in Indiana, and visits the various schools during the year. Verification summaries and detail have been forwarded to the Controller and Regional Operations Manager for review. Periodic random sampling of students and their status will be checked against PowerLunch for accuracy.

If you have any questions, please let me know.

Thank you.

Sincerely,



Howard Hammond
Controller
Lighthouse Academies of Indiana, Inc.