



STATE OF INDIANA
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December 16, 2014

Charter School Board
The Hammond Urban Academy, Inc.
33 Muenich Court
Hammond, IN 46320

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 5 contain five audit results and comments. Management's response is on page 7 and 8.

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

SUPPLEMENTAL AUDIT REPORT
OF
THE HAMMOND URBAN ACADEMY, INC.
LAKE COUNTY, INDIANA
July 1, 2012 to June 30, 2013

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

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THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

School Officials

July 1, 2012 to June 30, 2013

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Kris Sakelaris	07/01/12 – 06/30/13
School Leader	Sean Egan	07/01/12 – 06/30/13
Treasurer	Matt Tomczak	07/01/12 – 06/30/13

The Board of Directors
The Hammond Urban Academy, Inc.

We have audited the financial statements of **The Hammond Urban Academy, Inc.** (the "School") as of and for the year ended June 30, 2013 and have issued our report thereon dated August 22, 2014. 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
August 22, 2014

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

Year Ended June 30, 2013

CAPITAL ASSETS

The School maintains a record of capital assets for accounting purposes; however, the School does not routinely conduct a physical inventory of its capital assets as a means to verify its asset records.

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)

PAYROLL POLICIES

We selected a sample of fifteen employees from the 2013 fiscal year with which to test the process for calculating, accumulating and recording payroll expense. From this sample, we noted the following matters relating to the payment of hourly employees:

1. The School did not maintain a pay schedule or documentation in the employees' personnel files to document pay rates.
2. Out of the five hourly employees tested, timecards could not be produced for three employees.
3. For the two hourly employees for which we received timecards, there was no indication of supervisory approval.

The charter school must establish a payroll schedule that details amounts paid annually, bi-weekly, hourly, etc. for all employees that are not included on a labor contract. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

UNCOLLECTIBLE ACCOUNTS

The School collects fees for textbook rentals to those students that do not qualify for state reimbursement as well as fees relating to other School activities. The School pursues delinquent accounts for collection, but it does not have a formal policy to address uncollectible accounts.

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

EXTRA-CURRICULAR ACTIVITIES

The School maintains a number of bank accounts managed by teachers and staff personnel for various extra-curricular purposes. Neither the cash balance, which amounted to \$7,555 at June 30, 2013, 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 specific 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. (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.

LAKE COUNTY, INDIANA

Audit Results and Comments, Continued

ELIGIBILITY VERIFICATION

Five applicants were selected for eligibility verification with regard to the school nutrition program; however, the verification consisted only of communication with the applicants regarding any change in status. The School did not request documentation to substantiate the information submitted on the application.

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.). Program participants who have an application that cannot be verified are not always dropped from the free and reduced-price meal program and corrections in reporting and additional testing does not always occur.

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)

THE HAMMOND URBAN ACADEMY, INC.

LAKE COUNTY, INDIANA

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on October 15, 2014 with Sean Egan (School Leader), Mahdee Iqbal (Business Manager), Sheldon Cutler (Board Treasurer), and Robert Lendi (Board Member). The Official Response has been made a part of this report and may be found on page 7.



Formal Response to Audit Findings for Year Ended June 30, 2013

Date: October 22, 2014

Following discussion with Auditor on October 15, 2014.

Document: Supplemental Audit Report

1. Capital Assets:

- (a) In response to the audit finding that the school has a list of fixed assets but does not routinely update the list, the Business Manager in collaboration with the building Maintenance Engineer and the IT Director will update the fixed asset inventory list, and as an additional measure, identify from which fund, the fixed assets were financed.

(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 15)

2. Payroll Policies:

- (a) The Business Manager will respond to Auditor's recommendation to maintain a pay schedule/ pay rate in the employees' file by maintaining signed documents recording updated pay rates for all hourly employees.

(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

- (b) Timecards will also be kept in the employee's folder as opposed to a central chronologically ordered folder.

- (c) Assistant Business Manager will sign off on all time sheets to validate them at a supervisory level and separate supervisory validation from payment calculation and disbursement, which remains the duty of the Business Manager.

(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

3. Uncollectable Accounts:

- (a) Per direction of the Board of Directors, the school will set a time period for the collection of Textbook Rental fees for a school year, upon the expiration of which the school will enact a formal policy for the collection

of delinquent fees. Failure to collect the fees as per the formal policy within a specified time frame, as per the direction of the Board of Directors, will result in a write-off of the debt, which will be in the form of a document signed and retained by the Assistant Business Manager.
(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

4. Extra Curricular Activities

(a) As a supplement to Annual Financial Statements, a statement recording all funds collected and expended by various extra curricular organizations of the school will be provided by the Business Manager.
(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

5. Eligibility Verification:

(a) In response to the auditor's finding that adequate supporting documentation were not maintained for the purpose of verifying students for the free and reduced lunch program, the Assistant Business Manager has rebutted that she verifies the applications with the State's database, failure to do which would result in the state not providing funding through the Nutrition Program, and funds received from the program are evidence of satisfactory verifications.
(For compliance with Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 17)