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December 28, 2017

Charter School Board
Charter School of the Dunes, Inc.
7300 Melton Rd
Gary, IN 46403

We have reviewed the Supplemental Audit Report for Charter School of the Dunes, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. 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 four audit results and comments. Management's response is on page 6.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
CHARTER SCHOOL OF THE DUNES, INC.**

LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2017



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CHARTER SCHOOL OF THE DUNES, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2016 to June 30, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Thomas Cera	07/01/16 – 06/30/17
School Principal	Connie Smith	07/01/16 – 02/28/17
School Principal	Justin Stok	03/24/17 – 06/30/17
School Controller	Michelle McCollough	07/01/16 – 04/21/17
School Controller	Mahdee Iqbal	04/24/17 – 06/30/17



Donovan CPAs

The Board of Directors
Charter School of the Dunes, Inc.

We have audited the consolidated financial statements of Charter School of the Dunes, Inc. and Affiliate (the "School") as of and for the year ended June 30, 2017 and have issued our report thereon dated December 7, 2017. 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.

DONOVAN

Indianapolis, Indiana
December 13, 2017

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CHARTER SCHOOL OF THE DUNES, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

CAPITAL ASSETS

The School did not complete a capital asset inventory during the year under audit.

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 AND COMPLIANCE

We selected a sample of 15 employees from the November 15, 2016 payroll register for testing. Of the 15 employees tested, the School was unable to provide employment contracts for two. Additionally, the pay rates per the contracts provided for two employees did not agree to what was paid per the payroll register.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

SCHOOL LUNCH ELIGIBILITY

We selected a sample of 15 students for the purpose of verifying the income eligibility for subsidized meals and textbook reimbursement. Within the sample we noted that three of the determinations (free, reduced, or paid) were incorrect.

Charter schools must provide accurate information to the Indiana Department of Education pertaining to the number of students that received free/reduced textbooks. If a variance occurs between the charter school records and the report provided the IDOE, then written communication must also request a determination if any increases or decreases in funding will result to the charter school because of the variance. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CHARTER SCHOOL OF THE DUNES, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the school was not in compliance with either of the minimum internal control requirements as set forth by IC 5-11-1-27(g).

The School's certification on the Gateway platform on the adoption of internal control standards was made incorrectly. The school personnel did not understand the requirements set forth by IC 5-11-1-27(g) prior to the certification and have since realized that they should have answered that the School was not in compliance.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

CHARTER SCHOOL OF THE DUNES, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2016 to June 30, 2017

The contents of this report were discussed on December 7, 2017 with Mahdee Iqbal (Director of Finance), Justin Stok (Principal), Paul Orner (Treasurer of Board of Directors), and Thomas Cera (President of Board of Directors). The Official Response has been made a part of this report and may be found on page 6.



Charter School of the Dunes

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www.csdues.org

December 13, 2017

In response to the supplemental audit findings by Donovan CPA, the management of Charter School of the Dunes hereby affirm to:

1. Perform a Capital Asset Inventory prior to fiscal year end on an ongoing basis
2. Maintain up-to-date employment agreements with all employees
3. Ensure more time and stringency to improve accurate data entry for student lunch eligibility verification
4. As pertains to internal controls,
 - (a) Adopt the minimum internal controls set forth by IC 5-11-1-27(g) for the school year 2017-18
 - (b) Ensure that adequate training is attended by relevant school personnel.

Mahdee Iqbal

Director of Finance

Charter School of the Dunes

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