



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B49540

STATE BOARD OF ACCOUNTS  
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February 7, 2018

Charter School Board  
East Chicago Urban Enterprise Academy, Inc.  
1402 E Chicago Ave  
East Chicago, IN 46312

We have reviewed the Supplemental Audit Report for East Chicago Urban Enterprise Academy, 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 three audit results and comments. Management's response is on pages 6 through 8.

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  
EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.**

LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2017



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**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**School Officials**  
**July 1, 2016 to June 30, 2017**

<b><u>Office</u></b>	<b><u>Official</u></b>	<b><u>Term</u></b>
President of Board of Directors	David Padilla	07/01/16 – 06/30/17
School Leader	Veronica Eskew	07/01/16 – 06/30/17
School Treasurer	Melinda Benkovsky	07/01/16 – 06/30/17



# Donovan CPAs

To the Board of Directors  
East Chicago Urban Enterprise Academy, Inc.

We have audited the financial statements of East Chicago Urban Enterprise Academy, Inc. (the "School") as of and for the year ended June 30, 2017 and have issued our report thereon dated December 20, 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 20, 2017

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**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2016 to June 30, 2017**

**REQUIRED REPORTS**

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2016 to June 30, 2017. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the General Fund, as of June 30, 2017, was overdrawn by \$73,460.

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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

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 fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**CASH RECEIPTS AND DEPOSITS**

The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections, however, we noted the following issue with regard to the cash receipts process:

Out of the 25 receipts selected for testing, 15 were not deposited timely.

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)

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, 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).

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))

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2016 to June 30, 2017**

The contents of this report were discussed on December 20, 2017 with Veronica Eskew (School Leader), David Padilla (President of Board of Directors), Javier Garibay, Melinda Benkovsky, Desiree Holmes, and Renee Lindemann (Representatives of The Leona Group). The Official Response has been made a part of this report and may be found on page 6.



# East Chicago Urban Enterprise Academy

*"Students First, Family Focused"*

December 20, 2017

Donovan, P.C.  
9292 N. Meridian Street, Suite 150  
Indianapolis, Indiana 46260

**RE: Response to Findings – July 1, 2016 to June 30, 2017**

## **REQUIRED REPORTS**

### ***Finding:***

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2016 to June 30, 2017. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the General Fund, as of June 30, 2017, was overdrawn by \$73,460.

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 of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

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 fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

### ***School Response:***

East Chicago Urban Enterprise Academy will continue to submit a Form 9 Biannual Financial Report twice per year as required, and will comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements.

### Board of Directors

1402 E. Chicago Avenue, East Chicago, IN 46312  
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www.ecuea.com

Mr. David Padilla  
Mr. John Artis  
Mrs. Rita Jacque-Gillis  
Mr. Manuel Martinez

Mr. R. Louie Gonzalez  
Mrs. Kimberly Edwards  
Mrs. Catherine Hill-Thomas  
Ms. Danita Williams



# East Chicago Urban Enterprise Academy

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Receipts have been reported correctly in the General Fund, but expenditures resulting from the Charter and Innovation Network School Grant Program were incorrectly reported under the General Fund. Going forward, expenditures will be correctly reported under the Innovation Network School Grant Program, and a manual adjustment will be made to the Form 9 to reflect proper prior year activity.

The academy has identified various fund balances carried forward from the previous management company's submissions, which are no longer in use. These funds will be eliminated and manually adjusted in the 2017-2018 fiscal year.

## CASH RECEIPTS AND DEPOSITS

### *Finding:*

The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections, however, we noted the following issue with regard to the cash receipts process:

Out of the 25 receipts selected for testing, 15 were not deposited timely.

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)

### *School Response:*

East Chicago Urban Enterprise Academy will abide by the Accounting and Uniform Compliance Guideline Manual for Indiana Charter Schools, Part 8, and shall deposit all funds received in the designated depository in a timely manner.

## MINIMUM INTERNAL CONTROL STANDARDS

### *Finding:*

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).

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

### Board of Directors

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# East Chicago Urban Enterprise Academy

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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))

***School Response:***

The board adopted internal control standards and procedures as official policies of the East Chicago Urban Enterprise Academy on December 13, 2017 at the regular board meeting. All staff at the academy that handle cash transactions, members of the board of directors, and employees of the management company finance department will partake in the training provided by the State Board of Accounts, and will certify completion of the training.

Sincerely,

David Padilla, Board of Directors

Date

Board of Directors

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