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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 24, 2018

Charter School Board
Lighthouse Academies of Northwest Indiana, Inc.
29140 Chapel Park Drive
Wesley Chapel, FL 33543

We have reviewed the Supplemental Audit Report for Lighthouse Academies of Northwest Indiana, 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

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2017

Donovan CPAs

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LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2016 to June 30, 2017

Office	Official	Term
President of Board of Directors	Kay F. Ward McDuffie	07/01/16 – 06/30/17
Superintendent	Dr. Sheri Miller-Williams	07/01/16 – 06/30/17
School Treasurer	Tina Dobson	07/01/16 – 06/30/17

Donovan CPAs

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") as of and for the year ended June 30, 2017 and have issued our report thereon dated March 6, 2018. As part of our audit, we tested the LANWI'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 LANWI was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
March 6, 2018

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2016 to June 30, 2017

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2016 to June 30, 2017 revealed the following reportable issues:

1. Fund balances for federal grants did not reflect the true balances of the grant programs for either LANWI school.
2. Multiple fund balances on both LANWI schools were overdrawn. The overdrawn accounts were not a result of awaiting reimbursements.

A fund, as used in the Charter School Manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

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)

RECEIPTS AND DEPOSITS

We examined records relating to cash received at the schools pertaining to items such as extra-curricular activity fees, fundraisers, fees, and donations. We tested 25 receipts from both LANWI schools (50 in total). From transactions tested for Gary Lighthouse Charter School, we noted that 4 out of 25 receipts were not deposited in a timely manner.

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)

CAPITAL ASSETS

Neither LANWI school completed an annual inventory of fixed assets.

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)

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))

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2016 to June 30, 2017

The contents of this report were discussed on February 28, 2018 with Tina Dobson (Indiana Controller, Lighthouse Academies, Inc.), Marcia Saulo (Chief Financial Officer, Lighthouse Academies, Inc.), and Dr. Kay F. Ward McDuffie (President of the Board of Directors). The Official Response has been made a part of this report and may be found on page 6.

Lighthouse Academies, Inc.

February 28, 2018

Donovan
9245 N. Meridian St., Suite 302
Indianapolis, IN 46260
ATTN: Mr. BJ Lippert

RE: Responses to Lighthouse Academies of Northwest Indiana Supplemental Audit Report

Dear Sir:

Financial Recording issues
Audit Comment: Fund balances for federal grants did not reflect the true balances of grant reports
School response: A fund balance report will be created to balance funds and track expenditures and deposits. This will be balanced against reimbursement requests.
Audit Comment: Multiple fund balances on both NWI schools were overdrawn. The overdrawn accounts were not a result of awaiting reimbursements.
School response: A fund balance report will be created to balance funds and expenses will be reclassed to general fund to correct overdrawn fund balances.
Receipts and Deposits
Audit Comment: Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions.
School response: A policy was put in place for all receipts over $50 to be taken to the bank within 24 hours. Training on this policy will be provided to operation personnel.
Capital Assets
Audit Comment: Neither LANWI school completed an annual inventory of fixed assets.
School response: A physical inventory will be conducted in FY 2018.
Minimum Internal Control Standards
Audit Comment: 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).
School response: Internal control standards and procedures will be written down and personnel will be trained in FY2018.

Sincerely,

Tina Dobson

Tina Dobson
Indiana Controller
Lighthouse Academies, Inc.