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April 10, 2019

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, 2017 to June 30, 2018. 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 five audit results and comments. Management's response is on pages 6 through 7.

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, 2017 to June 30, 2018



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LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Dr. Kay Ward McDuffie	07/01/17 – 06/30/18
Superintendent	Dr. Sheri Miller-Williams	07/01/17 – 06/30/18
School Treasurer	Tina Dobson	07/01/17 – 06/30/18



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, 2018 and have issued our report thereon dated March 28, 2019. 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

Indianapolis, Indiana
March 28, 2019

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2017 to June 30, 2018 revealed the following reportable issues:

1. The overall cash balances on the Form 9 reports at June 30, 2018 for the LANWI schools did not agree with the balance of cash per the schools' accounting records.
2. Fund balances for federal grants did not reflect the true balances of the grant programs for either LANWI school.
3. 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 at each LANWI school (50 in total). From transactions tested for East Chicago Lighthouse Charter School, we noted 18 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)

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2017 to June 30, 2018

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)

TEXTBOOK RENTAL AND SCHOOL LUNCH REPORTING

We attempted to test the determinations made by Gary Lighthouse Charter School for student eligibility for textbook reimbursement, however LANWI was unable to provide support for the eligibility determinations made for the students selected. Textbook reimbursement requires the students to be eligible for free or reduced meals.

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)]

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, we determined LANWI 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, 2017 to June 30, 2018

The contents of this report were discussed on March 22, 2019 with Dr. Kay Ward McDuffie (President of Board of Directors), Yvette Irons-Johnson (Board Treasurer), Mary Beth Rousseau and Jerome Ballard (Representatives from Lighthouse Academies, Inc.). Official response has been made part of this report and may be found on page 6.

Lighthouse Academies, Inc.

March 25, 2019

Donovan CPAs
9245 N. Meridian St, Suite 302
Indianapolis, IN 46260

Attn: Benjamin A. Lippert, CPA

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

Financial Reporting

The overall cash balances on the Form 9 reports at June 30, 2018 for the LANWI schools did not agree with the balance of cash per the schools' accounting records.

Response: A reconciliation will be done between the Form 9 reported balances and the audited cash balances. Corrections will be made to bring the balances in agreement.

Fund balances for federal grants did not reflect the true balances of the grant programs for either LANWI school.

Response: A reconciliation will be done between the Form 9 reported balances and the actual fund balances. Corrections will be made to bring the fund balances to be reported on the Form 9 to the actual fund balances.

Multiple fund balances on both LANWI schools were overdrawn. The overdrawn accounts were not a result of awaiting reimbursements.

Response: A reconciliation will be done between the Form 9 reported balances and the actual fund balances. Corrections will be made to bring the fund balances to be reported on the Form 9 to the actual fund balances.

Receipts and Deposits

Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. From transactions tested for East Chicago Lighthouse Charter School East, 18 out of 25 receipts were not deposited in a timely manner.

Response: Training on the current policy and procedures will be provided to school personnel responsible for accepting and depositing checks and cash received at the school.

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www.lighthouse-academies.org

Lighthouse Academies, Inc.

Capital Assets

Neither LANWI school completed an annual inventory of fixed assets.

Response: A physical inventory will be conducted in the spring of FY2019 at both schools.

Textbook Rental and School Lunch Reporting

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. LANWI was unable to provide support for the eligibility determinations.

Response: Procedures have been reviewed with school personnel and applications for those students not on the direct certification list have been completed for the FY2019 school year.

Minimum Internal Control Standards

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

Response: Internal control standards will be formally adopted by the school's governing board. Personnel will be identified and given the appropriate training in FY2019.

Sincerely,



Mary Beth Rousseau
Controller
Lighthouse Academies, Inc.