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November 13, 2019

Charter School Board
Duneland Charter School, Inc.
d/b/a Discovery Charter School
800 Canonie Drive
Chesterton, IN 46304

We have reviewed the Supplemental Audit Report for Duneland Charter School, Inc. d/b/a Discovery Charter School prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. 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 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
DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL

PORTER COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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**DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL**

PORTER COUNTY, INDIANA

School Officials

July 1, 2018 to June 30, 2019

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Linda Simon	07/01/18 – 06/30/19
Board Treasurer	William Schmuhl	07/01/18 – 06/30/19
School Director	Ernesto Martinez	07/01/18 – 06/30/19



Donovan CPAs

The Board of Directors
Duneland Charter School, Inc.

We have audited the financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School (the "School") as of and for the year ended June 30, 2019 and have issued our report thereon dated November 7, 2019. 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
November 7, 2019

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DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
Audit Results and Comments
July 1, 2018 to June 30, 2019

FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2018 to June 30, 2019 revealed that the June 30, 2019 cash balance did not reflect the balance as reported on the School's books and records. The balance reported on Form 9 was \$1,156,355 while cash per the financial statements was \$1,118,957. In addition, fund 900 had a negative balance which did not appear to be the result of awaiting reimbursement on a cost-reimbursement grant.

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 charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

RECEIPTS AND DEPOSITS

We selected a sample of 25 receipts from the School's receipt books for testing. From the receipts selected, we identified 11 that were not deposited in a timely manner. Also, 7 could not be traced directly to a deposit.

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)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
Audit Results and Comments
July 1, 2018 to June 30, 2019

VENDOR DISBURSEMENTS

We selected 25 vendor disbursements for testing. From those tested, we identified 3 instances of payment of sales tax, totaling approximately \$50.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA**

Exit Conference

July 1, 2018 to June 30, 2019

The contents of this report were discussed on November 7, 2019 with Ernesto Martinez (School Director) and Allan Gabriele (School Treasurer). The Official Response has been made a part of this report and may be found on page 6.

RESPONSE TO SUPPLEMENTAL AUDIT
OF
DUNELAND CHARTER SCHOOL, INC.
DBA DISCOVERY CHARTER SCHOOL

July 1, 2018 to June 30, 2019

The Supplemental Audit Report for Discovery Charter School for our year ended June 30, 2019 contained results and comments in three areas: Financial Reporting, Receipts and Deposits, and Vendor Disbursements.

The financial reporting finding noted a discrepancy between cash balance as reported on Form 9 for the six months ended June 30, 2019 and the financial statements for the year then ended of approximately \$37,398. This was the result of a misunderstanding of the Form 9 cash basis tie in which was made to a verifiable bank balance rather than the reconciled book balance. This has been corrected and will not affect a future Form 9. In addition, the negative balance in fund 0900, the Textbook Reimbursement Fund, is the result of textbook rental fees coming in throughout the year as part of other student fees and not reaching the level of textbook purchases made in the beginning of the year. Since fees collected are for rentals of textbooks and textbooks last for longer than the year in which they were purchased, this account will naturally fluctuate over time.

Fees received for student trips were sometimes not deposited in the bank in a timely matter. They were kept in a safe in reconciling envelopes until deposits could be made. This was due to an unprecedented amount of spring field trips and a heavy testing schedule in the month of May. We have enacted procedures to more efficiently receive and reconcile field trip receipts at the classroom level and deposit immediately when turned in to the office.

The payment of sales tax to a minor amount of vendors was inadvertent and a procedure has been implemented to review sales tax entries on vendor invoices.

Allan Gabriele
Business Manager, Discovery Charter School

November 8, 2019