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March 10, 2020

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, 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 5 contain seven audit results and comments. Management's response is on pages 7 through 9.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

July 1, 2018 to June 30, 2019



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LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2018 to June 30, 2019

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|------------------------|---------------------|
| President of Board of Directors | Dr. Kay Ward McDuffie | 07/01/18 – 06/30/19 |
| Superintendent | Jessica Beasley | 07/01/18 – 06/30/19 |
| Controller | Mary Beth Rousseau | 07/01/18 – 06/30/19 |



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, 2019 and have issued our report thereon dated January 30, 2020. As part of our audit, we tested 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
January 30, 2020

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

Audit Results and Comments

July 1, 2018 to June 30, 2019

FINANCIAL REPORTING

Our examination of the semi-annual financial reports to the Indiana Department of Education (Form 9) for the period July 1, 2018 to June 30, 2019 revealed the following reportable issues:

1. The overall cash balances on the Form 9 reports at June 30, 2019 for both LANWI schools did not agree with the balance of cash per the schools' accounting records.
 - a. Gary Lighthouse Charter School's Form 9 reported \$1,720,940 in cash. The accounting records reported \$1,076,859 in cash.
 - b. East Chicago Lighthouse Charter School's Form 9 reported \$689,713 in cash. The accounting records reported \$718,714 in cash.
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, and donations. We tested 25 receipts at each LANWI school (50 in total). From transactions tested for Gary Lighthouse Charter School, we noted 6 out of 25 receipts were not deposited in a timely manner. From transactions tested for East Chicago Lighthouse Charter School, we noted 8 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, 2018 to June 30, 2019

PAYROLL COMPLIANCE

We selected a sample of 15 employees from each school to test the adequacy of supporting payroll documentation. For Gary Lighthouse Charter School, we noted that 2 out of 15 employees did not have signed contracts.

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)

TEXTBOOK REIMBURSEMENT ELIGIBILITY

We tested the determinations made by both schools for student eligibility for textbook reimbursement. We noted no errors in the testing for Gary Lighthouse Charter School, however East Chicago Lighthouse Charter School was unable to provide support for the eligibility determinations made for 2 of the 10 students selected for testing.

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)]

SCHOOL LUNCH REPORTING

We tested one month of meal claim supporting records for each school for agreement with actual meals claimed for federal reimbursement. We noted no errors in testing for East Chicago Lighthouse Charter School, however, Gary Lighthouse Charter School's November 2018 records of meals served showed 249 fewer breakfasts than the amount reported on the monthly claim (i.e. claim was too high). This same claim reported 63 fewer lunches than were served at the school (i.e. claim was too low). We selected three additional months' claims for Gary Lighthouse Charter School noting agreement between the records for meals served and meals claimed. The discrepancy noted in the November 2018 records appears to be an isolated incident.

LANWI should contact the Indiana Department of Education to determine if the discrepancies noted above require reimbursement to the state.

Charter schools should have internal controls in place to provide reasonable assurance that their goals and objectives are accomplished; laws, regulations, and good business practices are complied with; assets are safeguarded; and accurate and reliable data are maintained. (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, 2018 to June 30, 2019

TICKET SALES

Gary Lighthouse Charter School was unable to provide tickets for 1 of 3 events selected for testing.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (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)

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, 2018 to June 30, 2019

The contents of this report were discussed on January 30, 2020 with Dr. Kay Ward McDuffie (President of Board of Directors), Yvette Irons-Johnson (Board Treasurer), Jessica Beasley, (Executive Director), Brent Elliott, Mary Beth Rousseau, and Monica Rivera (Representatives from Lighthouse Academies, Inc). Official response has been made part of this report and may be found on page 7.

Lighthouse Academies, Inc.

January 30, 2020

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, 2019 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 Gary Lighthouse Charter School, 6 out of 25 receipts were not deposited in a timely manner. From transactions tested for East Chicago Lighthouse Charter School, 8 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.

Payroll Compliance

All compensation and benefits paid to employees must be included in the labor contract or salary schedule. From employees tested for Gary Lighthouse Charter School, 2 out of 15 employees did not have signed contracts.

Response: Procedures have been reviewed with school personnel and a personnel file check list is now required to be completed before any new staff member is hired. New personnel files are audited monthly by the Regional Operations Director and HR Coordinator for LHA network.

Textbook Reimbursement Eligibility

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. East Chicago Lighthouse Charter School was unable to provide support for the eligibility determinations for 2 of the 10 students selected for testing.

Response: Procedures have been reviewed with school personnel and applications for those students not on the direct certification list have been completed for the FY2020 school year.

School Lunch Reporting

In testing the November 2018 meal claim for Gary Lighthouse Charter School it was determined that the claim submitted for federal reimbursement did not agree with the supporting documents. It is recommended that LANWI contact the Indiana Department of Education to determine if discrepancies noted require reimbursement to the state.

Response: All school personnel were retrained on the Indiana School Lunch Program. Lunch monitors have been hired at all Gary locations to ensure counts are accurate. All counts are uploaded to a drive to be reviewed by the Regional Operations Director before they are submitted to the CNP website.

Ticket Sales

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. In testing ticket sales, Gary Lighthouse Charter School was unable to provide tickets for 1 of 3 events selected.

Response: Procedures have been reviewed with school personnel and all deposit reports are reviewed by the Regional Operations Director and LHA finance within 24 hours of submission.

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Lighthouse Academies, Inc.

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 FY2020.

Sincerely,

Brent Elliott

Brent Elliott
Controller