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November 23, 2020

Charter School Board
The Hammond Urban Academy, Inc.
33 Muenich Ct
Hammond, IN 46320

We have reviewed the Supplemental Audit Report for The Hammond Urban Academy, Inc. prepared by RSM US LLP, 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 and 4 contain four audit results and comments.

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

The Hammond Urban Academy, Inc.
(Lake County, Indiana)

Supplemental Audit Report
July 1, 2018 to June 30, 2019

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**The Hammond Urban Academy, Inc.
Lake County, Indiana**

**School Officials
July 1, 2018 to June 30, 2019**

Office	Official	Term
President of Board of Directors	Kris Sakelaris	07/01/16 - 06/30/21
School Leader	Sean Egan	07/01/16 - 06/30/21
Treasurer	Heather Garay	07/01/17 - 06/30/21



RSM US LLP

To the Board of Directors
The Hammond Urban Academy, Inc.
Lake County, Indiana

We have audited the financial statements of The Hammond Urban Academy, Inc. (the School) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 11, 2020. 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 accompanying Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

RSM US LLP

Elkhart, Indiana
November 11, 2020

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The Hammond Urban Academy, Inc.

**Audit Results and Comments
July 1, 2018 to June 30, 2019**

Receipts and Deposits

The School receives cash for various purposes including meals, fees, and various other items. We selected 25 receipts from throughout the 2019 fiscal year to test the process for receipt and deposit of funds. We noted 4 of the 25 receipts tested were not deposited timely and were outside of the one business day requirement.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. 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)

Extra-Curricular Activities

The School maintains a number of bank accounts managed by teachers and staff personnel for various extra-curricular activities. Neither the cash balance, which amounted to \$33,993 at June 30, 2019, nor the activity for the year are recorded on the School's accounting records.

All financial transactions pertaining to the charter school must be recorded in the records of the charter school. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Special Funds may be established to account for money received by a school corporation for a special purpose or purposes if no local tax revenues are involved. These funds may be supported by gifts, donations, or endowments or be established pursuant to federal statutes. A ledger account on prescribed Form Number 508 must be established for each fund. Each fund account will serve as a control account for all receipt and disbursement transactions pertaining to that fund. In addition, a ledger account on Form Number 508 must be established for the "All Funds Control" to which all receipts and disbursements for all funds shall be posted. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 3)

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. 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)

Proper Bonding

The School obtained bonding on the Business Manager in the amount of \$100,000. We noted, however, the average amount of cash or receipts on hand during the 2019 school year that the employee designated to handle cash had access to was in excess of the School's bond protection.

The organizer shall designate employees who are responsible for handling a majority of the cash, receipts, and disbursements for the School. The designated employees must have either a cash bond or an insurance policy on their behalf that protects the charter school from employee theft, fraud, errors, and omissions. The cash bond or insurance policy should represent an average amount of cash or receipts on hand during the school year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

The Hammond Urban Academy, Inc.

**Audit Results and Comments
July 1, 2018 to June 30, 2019**

Preparation of Financial Statements in Accordance With GAAP

During the course of our audit, we identified two adjustments to the trial balance originally presented to us by School management that, individually and in the aggregate, represented a material effect on the financial statements. These adjustments related to several accounts, including cash restricted for debt service, fixed assets, capital lease liabilities, depreciation, interest income and interest expense, and had a result of increasing assets by approximately \$259,000, increasing liabilities by approximately \$242,000 and increasing the change in net assets by approximately \$17,000. Since the adjustments related to several different accounts and were not isolated to a single transaction, we believe the underlying deficiency could be pervasive to the entire financial statements and thus rise to the level of a material weakness.

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. All accounting transactions must be supported by adequate documentation. Transaction entries are supported by an explanation of the reason of the entry and must show an evidence of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

The Hammond Urban Academy, Inc.

Exit Conference

July 1, 2018 to June 30, 2019

The contents of this report were discussed on November 11, 2020, with Sean Egan (School Leader), Dennis Small (Business Manager), Kris Sakelaris (Board President), Heather Garay (Board Treasurer), and another member of the Board of Directors, Monica Rubio.