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November 18, 2021

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, 2019 to June 30, 2020. 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 3-4 contain five audit results and comments.

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

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

Supplemental Audit Report  
July 1, 2019 to June 30, 2020

## Contents

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School officials	1
Transmittal letter	2
Audit results and comments	
Extra-curricular activities	3
Average Daily Membership (ADM)	3
Review of ticket sale procedures	4
Bad debts and uncollectable accounts	4
Preparation of financial statements in accordance with GAAP	4
Exit conference	5

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

**School Officials  
July 1, 2019 to June 30, 2020**

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Office	Official	Term
President of Board of Directors	Kris Sakelaris	07/01/16 - 06/30/22
School Leader	Sean Egan	07/01/16 - 06/30/22
Treasurer	Heather Garay	07/01/17 - 06/30/22



RSM US LLP

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, 2020, and have issued our report thereon dated November 5, 2021. 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*

Indianapolis, Indiana  
November 8, 2021

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## **The Hammond Urban Academy, Inc.**

### **Audit Results and Comments July 1, 2019 to June 30, 2020**

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#### **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 \$37,015 at June 30, 2020, 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*)

#### **Average Daily Membership (ADM)**

The School is required to maintain enrollment documentation on file and those records must be consistently maintained and applied across students. For the ADM compliance testing, we selected 58 students between the two ADM count dates to test for proper enrollment and attendance on the date of the count. During our testing of proper student enrollment, we identified 3 students in our sample of 58 for which the School did not maintain adequate enrollment documentation to support proper enrollment of the student.

The School shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level administrator (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the Organizer, shall provide written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9*).

## **The Hammond Urban Academy, Inc.**

### **Audit Results and Comments July 1, 2019 to June 30, 2020**

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#### **Review Ticket Sale Procedures**

During the course of our audit, we noted that the School has multiple extra-curricular events and pre-numbered tickets are used. However it was determined that the School does not utilize the ticket sales report (Form SA-4) to track sold tickets and reconcile cash received to amounts deposited.

The School-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*).

#### **Bad Debts and Uncollectable Accounts**

During the course of our audit, we noted the School does not have a written bad debt policy. The School's policy is to issue letters notifying to student's families of amounts owed. However, the School does not record student receivables during the school year and therefore does not track bad debts and/or uncollectible accounts. The School records student fee revenue when cash is received from the student.

The charter school must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation must exist for all efforts made by the charter school to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (*Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10*).

#### **Preparation of Financial Statements in Accordance With GAAP**

During the course of our audit, we identified six adjustments to the trial balance originally presented to us by School management that, in the aggregate, represented a material effect on the financial statements. These adjustments related to several accounts, including prepaid expenses, fixed assets, accounts payable, accrued interest payable, accrued payroll, capital lease liabilities, deferred revenue, net assets, grant revenue, depreciation expense, interest income and interest expense, and had a result of increasing assets by approximately \$10,000, increasing liabilities by approximately \$6,000 and increasing the change in net assets by approximately \$86,000. Since the adjustments related to several different accounts and were not isolated to a single transaction, we believe management does not have a control in place to review the trial balance for proper accounting treatment. Due to the pervasive nature of the errors to the entire financial statements, we believe the control deficiency rises 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, 2019 to June 30, 2020**

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The contents of this report were discussed on November 8, 2021, with Sean Egan (School Leader), Kris Sakelaris (Board President), Heather Garay (Board Treasurer), and other members of the Board of Directors, Dave Ryan, Monica Rubio, Adrian Sandoval, and Marty Wielgos.