



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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May 26, 2022

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 Donovan CPAs, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. 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 on pages 3 through 5. Management's response can be found 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 black ink that reads "Tammy R. White".

Tammy R. White CPA  
Deputy State Examiner

SUPPLEMENTAL AUDIT REPORT  
OF  
**THE HAMMOND URBAN ACADEMY, INC.**

LAKE COUNTY, INDIANA

July 1, 2020 to June 30, 2021



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**THE HAMMOND URBAN ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**School Officials**  
**July 1, 2020 to June 30, 2021**

<u>Officer</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Kris Sakelaris	07/01/20 – 06/30/21
School Leader	Dr. Sean Egan	07/01/20 – 06/30/21
Treasurer	Heather Garay	07/01/20 – 06/30/21



The Board of Directors  
The Hammond Urban Academy, Inc.

We have audited the financial statements of The Hammond Urban Academy, Inc. (the “School”) as of and for the year ended June 30, 2021, and have issued our report thereon dated March 30, 2022. 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

A handwritten signature in dark ink that reads 'DONOVAN' in a cursive style.

Indianapolis, Indiana  
March 30, 2022

**THE HAMMOND URBAN ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2020 to June 30, 2021**

**CAPITAL ASSETS**

The School was unable to provide record that a complete inventory was taken.

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 Asset 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)

**RECEIPTS AND DEPOSITS**

We selected twenty-five receipts for testing from the School's receipt books. We noted the following findings:

1. Four receipts were not provided to the individual making the payment.
2. The School was unable to provide documentation to trace the receipt selected through to the associated deposit for ten of the selections.
3. Of the fifteen receipts that we were able to tie to a deposit, six were not deposited in a timely manner. They were all part of one deposit for \$7,718 and were deposited eight to sixty-six days after receipt. The individual receipts ranged from \$10 to \$760.

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)

**BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS**

The School does not have a written bad debt policy. 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 fees when cash is received.

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**THE HAMMOND URBAN ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2020 to June 30, 2021**

**CREDIT CARD DISBURSEMENTS**

The School did not maintain receipts corresponding with purchases made via credit cards.

The State Board of Accounts will not take exception to the use of credit cards by a charter school provided the following criteria are observed:

1. The charter school must authorize credit card use through an appropriate policy.
2. Issuance and use shall be handled by an employee designated by the charter school.
3. The purposes for which the credit card may be used must be specifically stated in the policy.
4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the designated employee.
5. The designated employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track expenses to provide the charter school and other administration with timely and accurate accounting information and monitoring of the accounting system.
7. Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**EXTRA-CURRICULAR ACTIVITIES**

The School maintains bank accounts managed by teachers and staff personnel for various extra-curricular activities. Neither the cash balance 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)

**THE HAMMOND URBAN ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Audit Results and Comments**  
**July 1, 2020 to June 30, 2021**

**TICKET SALE PROCEDURES**

The School has multiple extra-curricular events where pre-numbered tickets are used. The School does not utilize the ticket sales report (Form SA-4) to track sold tickets and reconcile cash received to amounts deposited.

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 prenumbered., 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 10)

**PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP**

During our audit, we identified an adjustment to the trial balance originally presented to us by School management that represented a material effect on the financial statements. The adjustment affected the following sections of the financial statements as of and for the year ended June 30, 2021:

• Increase to beginning of year net assets	\$	100,994
• Decrease to 2021 grant revenue		100,994

Since the adjustment was material, we believe the underlying deficiency could be pervasive to the entire financial statements and thus rises to the level of a material weakness.

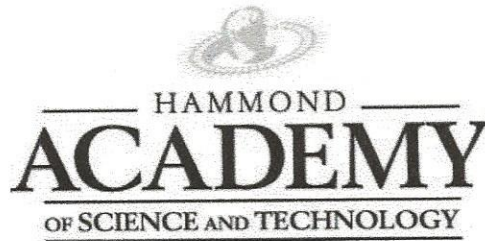
Additionally, the School sold several used iPads for \$68,663. The School was unable to identify if this equipment was recorded on its property and equipment (depreciation) schedule and, therefore, if the equipment was still reflected as assets on the statement of financial position as of June 30, 2021. Since these assets could not be specifically identified, a reporting risk exists that the sold equipment remains on the property and equipment schedule.

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 for Indiana Charter Schools, Part 8)

Indiana Code 20-24-7-1 requires each charter school to report on the generally accepted accounting principles (GAAP) basis of accounting, which requires internal controls to be established by the School to ensure accurate financial reporting.

**THE HAMMOND URBAN ACADEMY, INC.**  
**LAKE COUNTY, INDIANA**  
**Exit Conference**  
**July 1, 2020 to June 30, 2021**

The contents of this report were discussed on March 25, 2022 with Deb Czmiel, Business Manager. The Official Response has been made a part of this report and may be found on pages 7 to 8.



Donovan CPA's  
9292 N. Meridian St, Ste 150  
Indianapolis, IN. 46260  
Attn: Mr. Jason Shultz

Re: Response to Audit – 7/1/20 - 6/30/21

March 30, 2022

1) Capital Assets/Inventory

- A physical inventory of capital assets will be done on a yearly basis. The associated balance sheet (Cost and Accum Depreciation) accounts will be reconciled regularly
- A Capital (Fixed) Asset policy will be created
- The purchase of capital assets will be individually tied to the depreciation schedule (by serial number and asset tag number) and maintained by Bookkeeping Plus, Inc ("BPI").

2) Receipts and Deposits

- A receipt will be issued to any individual making a cash or check payment to the school
- Documentation for all deposits will be provided to BPI to record deposits timely and accurately. At a minimum, check copies and copies of receipt from receipt book will be provided
- Deposits will be made timely – 48 hours or 2 business days within receipt of funds

3) Bad Debt Policy

- A bad debt policy is in draft form and will be presented at our school Board meeting April 21<sup>st</sup>.
- We are in the process of implementing a new payment portal (my School Bucks) and reviewing/reconciling the current school years fees and payments. At the end of this process, the balance of school fees (from Powerschool) will be added to our financials
- School Fees receivable will be reconciled regularly
- Uncollectable fees will be written off in accordance with the bad debt policy; adjustments to financials will be made to record bad debt expense

#### 4) Credit Card Disbursements

- A policy will be created to authorize credit card purchases
- Receipts and approval of every credit card purchase will be provided to BPI along with a copy of the statement on a monthly basis

#### 5) Extra - Curricular (Club) Accounts

- The finance committee has approved the following:
  - Club cash accounts at Peoples Bank will be added to our financials
  - Discontinuation of the use of debit cards
  - Dual signature required on any check written out of the club accounts
- Also, the following will be implemented:
  - ALL cash collection treated the same as other deposits - deposited timely (see above) and documentation provided to the business manager
  - Club account managers required to provide the business manager with check log on a monthly basis
  - Business manager to provide BPI with the journal entries needed to record disbursements, receipts and adjustments on a monthly basis
  - Club accounts to be reconciled on a regular basis
  - Occasionally, a purchase may be made from the school and reimbursed by the Club - this would occur if the purchase needs to be made immediately and/or credit card payment required

#### 6) Ticket Sale Procedures


- The Form SA-4 will be used for all ticketed events
- Actual tickets will be used and all ticket stubs will be attached to the SA-4 Form
- All deposits will be made timely with ticket numbers identified on deposit slips
- All documentation will be provided to the business manager timely (within 48 hours or 2 business days of event)
- Business manager will reconcile SA-4 Forms to deposits
- Documentation of activity and reconciliation will be provided to BPI on a monthly basis

#### 7) Preparation of Financial Statements in Accordance of GAAP

- A trial balance adjustment was made due to a grant reimbursement not being submitted timely. Going forward, BPI will receive copies of all approved grants to facilitate timely grant reimbursement submission
- A physical inventory will be done to reconcile fixed assets to our financial statements. Once the inventory has been completed, fully depreciated, sold and disposed of assets will be removed from depreciation schedules and an adjustment will be done to adjust balance sheet accounts. Going forward, the purchase of fixed assets will be tracked individually on depreciation schedules. The purchase, disposal and sale of any fixed assets will be tracked; schedules and financials will be adjusted appropriately.

I'll continue to seek guidance from your firm as I build out and refine processes that are in accordance with generally accepted accounting principles ("GAAP") and SBOA regulations. Additionally, internal controls will be tested and refined as necessary.

Respectfully,

  
Deborah S. Czmiel  
Business Manager