

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
KIPP INDIANAPOLIS COLLEGE PREPARATORY
MARION COUNTY, INDIANA
July 1, 2005 to June 30, 2007



FILED
06/04/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tonya D. Montgomery	07-01-05 to 07-07-06
	Myra Ross	07-08-06 to 06-20-07
	Omotayo Ola-Niyi	06-21-07 to 06-30-08
Director of School	Omotayo Ola-Niyi	07-01-05 to 06-30-07
	Lacey Beatty	07-01-07 to 03-31-08
	Omotayo Ola-Niyi	04-01-08 to 06-30-08
President of the School Board	Reid Litwack	07-01-05 to 01-31-07
	Mike Weaver	02-01-07 to 04-30-07
	Reid Litwack	05-01-07 to 06-30-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF KIPP INDIANAPOLIS COLLEGE
PREPARATORY, MARION COUNTY, INDIANA

We have examined the financial information presented herein of Kipp Indianapolis College Preparatory (School Corporation), for the period of July 1, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 30, 2008

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 615,763	\$ -	\$ 10,526	\$ (605,237)
Support services	1,429,329	8,669	58,156	(1,362,504)
Community services	81	-	-	(81)
Debt service	368	-	-	(368)
<u>Total governmental activities</u>	<u>\$ 2,045,541</u>	<u>\$ 8,669</u>	<u>\$ 68,682</u>	<u>(1,968,190)</u>
General receipts:				
Property taxes				279,450
Other local sources				193,739
State aid				535,549
Loans				379,436
Grants and contributions not restricted to specific programs				181,154
Sale of property, adjustments, and refunds				368,268
Investment earnings				729
<u>Total general receipts</u>				<u>1,938,325</u>
Change in net assets				(29,865)
Net assets - beginning				213,323
<u>Net assets - ending</u>				<u>\$ 183,458</u>
 <u>Assets</u>				
Cash and investments				<u>\$ 183,458</u>
 <u>Net Assets</u>				
Unrestricted				<u>\$ 183,458</u>

The accompanying notes are an integral part of the financial information.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Totals</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
Governmental activities:				
Instruction	\$ 803,205	\$ -	\$ 5,328	\$ (797,877)
Support services	1,574,759	12,573	162,857	(1,399,329)
Community services	95	-	-	(95)
Debt service	<u>82,658</u>	<u>-</u>	<u>-</u>	<u>(82,658)</u>
Total governmental activities	<u>\$ 2,460,717</u>	<u>\$ 12,573</u>	<u>\$ 168,185</u>	<u>(2,279,959)</u>
General receipts:				
Property taxes				312,390
Other local sources				257,133
State aid				912,127
Loans				501,298
Grants and contributions not restricted to specific programs				104,915
Sale of property, adjustments, and refunds				11,706
Investment earnings				<u>778</u>
Total general receipts				<u>2,100,347</u>
Change in net assets				(179,612)
Net assets - beginning				<u>183,458</u>
Net assets - ending				<u>\$ 3,846</u>
<u>Assets</u>				
Cash and investments				<u>\$ 3,846</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 3,846</u>

The accompanying notes are an integral part of the financial information.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Walton Family Foundation Planning Grant	Lumina Foundation Grant	Weaver Popcorn Foundation Grant	Title I 2005-06	Federal Programs I	LISC Loan	Other	Totals
Receipts:									
Local sources	\$ 377,871	\$ -	\$ -	\$ 69,500	\$ -	\$ -	\$ -	\$ 35,216	\$ 482,587
State sources	546,075	-	-	-	-	-	-	2,924	548,999
Federal sources	-	-	-	-	39,354	139,000	-	58,032	236,386
Sale of property, adjustments and refunds	8,884	-	-	-	-	-	-	-	8,884
Total receipts	932,830	-	-	69,500	39,354	139,000	-	96,172	1,276,856
Disbursements:									
Current:									
Instruction	513,995	50,000	-	248	3,156	33,029	-	15,335	615,763
Support services	739,483	120,970	-	17,358	18,859	34,547	359,384	138,728	1,429,329
Community services	81	-	-	-	-	-	-	-	81
Debt services	333	-	-	-	-	-	-	35	368
Total disbursements	1,253,892	170,970	-	17,606	22,015	67,576	359,384	154,098	2,045,541
Excess (deficiency) of receipts over disbursements	(321,062)	(170,970)	-	51,894	17,339	71,424	(359,384)	(57,926)	(768,685)
Other financing sources (uses):									
Loan proceeds	379,436	-	-	-	-	-	359,384	-	738,820
Transfers in	5	-	-	-	3,396	-	-	-	3,401
Transfers out	-	-	(1)	-	-	-	-	(3,400)	(3,401)
Total other financing sources (uses)	379,441	-	(1)	-	3,396	-	359,384	(3,400)	738,820
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,379	(170,970)	(1)	51,894	20,735	71,424	-	(61,326)	(29,865)
Cash and investments - beginning	2,972	220,924	1	1,852	-	15,689	-	(28,115)	213,323
Cash and investments - ending	\$ 61,351	\$ 49,954	\$ -	\$ 53,746	\$ 20,735	\$ 87,113	\$ -	\$ (89,441)	\$ 183,458
Cash and Investment Assets - Ending									
Cash and investments	\$ 61,351	\$ 49,954	\$ -	\$ 53,746	\$ 20,735	\$ 87,113	\$ -	\$ (89,441)	\$ 183,458
Cash and Investment Fund Balance - Ending									
Unrestricted	\$ 61,351	\$ 49,954	\$ -	\$ 53,746	\$ 20,735	\$ 87,113	\$ -	\$ (89,441)	\$ 183,458

The accompanying notes are an integral part of the financial information.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Walton Family Foundation Planning Grant	Lumina Foundation Grant	Weaver Popcorn Foundation Grant	Title I 2005-06	Title I 2006-07	Federal Programs I	Other	Totals
Receipts:									
Local sources	\$ 354,801	\$ -	\$ 55,500	\$ 160,000	\$ -	\$ -	\$ -	\$ 12,573	\$ 582,874
State sources	917,455	-	-	-	-	-	-	-	917,455
Federal sources	-	-	-	-	3,550	91,654	-	172,568	267,772
Sale of property, adjustments and refunds	11,706	-	-	-	-	-	-	-	11,706
Total receipts	1,283,962	-	55,500	160,000	3,550	91,654	-	185,141	1,779,807
Disbursements:									
Current:									
Instruction	528,760	-	-	201,856	-	5,057	61,612	3,064	800,349
Support services	1,333,700	49,954	31,573	11,890	24,285	19,540	14,037	92,636	1,577,615
Community services	95	-	-	-	-	-	-	-	95
Debt services	82,658	-	-	-	-	-	-	-	82,658
Total disbursements	1,945,213	49,954	31,573	213,746	24,285	24,597	75,649	95,700	2,460,717
Excess (deficiency) of receipts over disbursements	(661,251)	(49,954)	23,927	(53,746)	(20,735)	67,057	(75,649)	89,441	(680,910)
Other financing sources (uses):									
Loan proceeds	501,298	-	-	-	-	-	-	-	501,298
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(159,953)	(49,954)	23,927	(53,746)	(20,735)	67,057	(75,649)	89,441	(179,612)
Cash and investments - beginning	61,351	49,954	-	53,746	20,735	-	87,113	(89,441)	183,458
Cash and investments - ending	\$ (98,602)	\$ -	\$ 23,927	\$ -	\$ -	\$ 67,057	\$ 11,464	\$ -	\$ 3,846
Cash and Investment Assets - Ending									
Cash and investments	\$ (98,602)	\$ -	\$ 23,927	\$ -	\$ -	\$ 67,057	\$ 11,464	\$ -	\$ 3,846
Cash and Investment Fund Balance - Ending									
Unrestricted	\$ (98,602)	\$ -	\$ 23,927	\$ -	\$ -	\$ 67,057	\$ 11,464	\$ -	\$ 3,846

The accompanying notes are an integral part of the financial information.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Schedules of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

Fund financial schedules of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial schedules are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial schedules. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial schedules.

The School Corporation reports the following major governmental funds:

The general fund is the School Corporation's primary operating fund and accounts for all financial resources of the School Corporation, except those required to be accounted for in another fund.

The Walton Family Foundation planning grant fund accounts for financial resources received from the Walton Family Foundation.

The Lumina Foundation grant fund accounts for related grant resources.

The Weaver Popcorn Foundation grant fund accounts for related grant resources.

The Title I 2005-06 and 2006-07 funds are used to account for grant proceeds related to the federal Title I program.

The federal programs I fund accounts for financial resources received through the federal Title V program.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
NOTES TO FINANCIAL INFORMATION
(Continued)

The LISC loan fund accounts for financial resources provided by the Local Initiatives Support Corporation.

B. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial schedules are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial schedules.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial schedules for governmental funds would use the modified accrual basis of accounting, while the fund financial schedules for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund schedules to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial schedules.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

Note 3. Budgets

The operating budget is prepared and approved at the local level.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
 NOTES TO FINANCIAL INFORMATION
 (Continued)

These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Interfund Transfers

Interfund transfers for the years ended June 30, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
Lumina Foundation Grant Fund	General Fund	\$ 1
Other governmental funds	General Fund	4
Other governmental funds	Title I 2005-06 Fund	<u>3,396</u>
Total		<u>\$ 3,401</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

Note 7. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the

KIPP INDIANAPOLIS COLLEGE PREPARATORY
NOTES TO FINANCIAL INFORMATION
(Continued)

system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

KIPP INDIANAPOLIS COLLEGE PREPARATORY
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

KIPP INDIANAPOLIS COLLEGE PREPARATORY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2006

	School Lunch	Textbook Rental	Teacher Discretionary	Simon Youth	Kipp DOE 1	Pacers Foundation	Student Shirt Fund	Title I 2004-05	Kipp Concord Construction	Totals
Receipts:										
Local sources	\$ 1,090	\$ -	\$ 11,550	\$ -	\$ -	\$ 5,000	\$ 7,579	\$ -	\$ 9,997	\$ 35,216
State sources	106	2,818	-	-	-	-	-	-	-	2,924
Federal sources	55,232	-	-	-	-	-	-	2,800	-	58,032
Total receipts	56,428	2,818	11,550	-	-	5,000	7,579	2,800	9,997	96,172
Disbursements:										
Current:										
Instruction	-	2,044	8,674	-	-	2,145	-	2,472	-	15,335
Support services	104,107	-	10,346	-	-	-	7,579	6,699	9,997	138,728
Debt services	-	-	35	-	-	-	-	-	-	35
Total disbursements	104,107	2,044	19,055	-	-	2,145	7,579	9,171	9,997	154,098
Excess (deficiency) of receipts over disbursements	(47,679)	774	(7,505)	-	-	2,855	-	(6,371)	-	(57,926)
Other financing uses:										
Transfers out	-	-	-	(1)	(3)	-	-	(3,396)	-	(3,400)
Total other financing uses	-	-	-	(1)	(3)	-	-	(3,396)	-	(3,400)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(47,679)	774	(7,505)	(1)	(3)	2,855	-	(9,767)	-	(61,326)
Cash and investments - beginning	(47,681)	2,290	7,505	1	3	-	-	9,767	-	(28,115)
Cash and investments - ending	\$ (95,360)	\$ 3,064	\$ -	\$ -	\$ -	\$ 2,855	\$ -	\$ -	\$ -	\$ (89,441)
Cash and Investment Assets - Ending										
Cash and investments	\$ (95,360)	\$ 3,064	\$ -	\$ -	\$ -	\$ 2,855	\$ -	\$ -	\$ -	\$ (89,441)
Cash and Investment Fund Balance - Ending										
Unrestricted	\$ (95,360)	\$ 3,064	\$ -	\$ -	\$ -	\$ 2,855	\$ -	\$ -	\$ -	\$ (89,441)

KIPP INDIANAPOLIS COLLEGE PREPARATORY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

	School Lunch	Textbook Rental	Pacers Foundation	Student Shirt Fund	Federal Programs II	Totals
Receipts:						
Local sources	\$ 3,041	\$ -	\$ -	\$ 9,532	\$ -	\$ 12,573
Federal sources	162,857	-	-	-	9,711	172,568
Total receipts	165,898	-	-	9,532	9,711	185,141
Disbursements:						
Current:						
Instruction	-	3,064	-	-	-	3,064
Support services	70,538	-	2,855	9,532	9,711	92,636
Total disbursements	70,538	3,064	2,855	9,532	9,711	95,700
Excess (deficiency) of receipts over disbursements	95,360	(3,064)	(2,855)	-	-	89,441
Cash and investments - beginning	(95,360)	3,064	2,855	-	-	(89,441)
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Assets - Ending						
Cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and Investment Fund Balance - Ending						
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Governmental activities</u>	<u>Balance</u>
Capital assets, not being depreciated:	
Buildings	\$ 498,298
Machinery and equipment	<u>129,825</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 628,123</u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 1,528,454	\$ 109,198

KIPP INDIANAPOLIS COLLEGE PREPARATORY
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the School Lunch Fund was overdrawn by \$95,360 at June 30, 2006, and the General Fund was overdrawn by \$98,602 at June 30, 2007. A similar comment appeared in prior Report B27054.

The cash 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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PUBLIC RECORDS RETENTION

A copy of the Financial Assistance for Students Textbook Reimbursement claims that were filed with the State and supporting documentation were not presented for examination. Therefore, we were unable to substantiate amounts claimed for textbook assistance from the State.

Additionally, employment letters detailing approved salaries for five employees and tax withholdings forms for three employees were not presented for examination. A similar comment appeared in prior Report B27054.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Political subdivisions 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. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ERRORS ON CLAIMS

Many paid claims were not adequately itemized. Claims in several instances did not include an adequate description denoting the business purpose of the disbursement or information indicating persons benefited. A payment was made to the Radisson Hotel in Indianapolis on March 29, 2006, in the amount of \$3,228. The attached supporting documentation only states: "Victory Lane Room" and "150 catered meals."

Also, all paid vendor and payroll claims lacked governing board approval.

A similar comment appeared in prior Report B27054.

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Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

Certified lists supporting the number of students claimed by the School Corporation for Average Daily Membership (ADM) for the 2005-2006 and 2006-2007 school years were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials should maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM. The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should 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. (The School Administrator and Uniform Compliance Guidelines, Volume 123, September 1993, and Volume 142, June 1998)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Information presented for examination indicated that the School Corporation failed to comply with directives of the Indiana Department of Education by not filing the Report of Average Daily Membership (ADM) on a timely basis for period one of the 2006-2007 school year. Information included in the ADM file indicated the report for period one was required to be filed by September 29, 2006, but was not filed until November 2006.

Political subdivisions 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

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court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SCHOOL LUNCH REIMBURSEMENT REPORTS

The Indiana Department of Education requests that school lunch reimbursement reports be filed within 10 days of the month ended. Based on information presented for examination, 21 out of 22 reports were not filed in a timely manner.

Reports presented for examination were copies printed from the Indiana Department of Education web site at the time records were requested. Originals were not presented.

Additionally, reports for August through December of 2005, inclusive were inaccurate as originally filed due to underreporting of meals served. A private certified public accounting firm was retained to perform a recalculation of meals served. The School Corporation filed amended monthly claims and was reimbursed for the difference of the amount claimable and the amount originally reimbursed.

Political subdivisions 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. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

STAFF BONUSES AND APPRECIATION

Gift cards and/or certificates were purchased totaling \$4,880. The cards and/or certificates were primarily for the Fashion Mall, Circle Centre Mall, and various spas. There was no documentation denoting the business purpose of the purchases. Additionally, no evidence was presented for examination indicating the intended beneficiaries had received the gift cards and/or certificates.

Officials stated the gift cards and/or certificates were purchased and distributed as staff bonuses to improve staff retention. The Officials further stated that the KIPP National organization encourages the use of appreciation means. Board minutes presented for examination indicated that a discussion regarding staff bonuses and appreciation did occur; however, an official, written policy was not presented.

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Additionally, bonus and/or appreciation amounts were not included in approved staff payroll for the period examined. The amounts of the gift cards and/or certificates were not included in employee compensation for tax reporting and withholding purposes.

A gift card was purchased by the School Director on July 10, 2006, at Salon Renaissance, a spa, in the amount of \$100 while on a school visit in Oklahoma. Documentation presented for examination indicates the card was for the School Director's birthday. A purchase of \$200 was also made at the same spa in June of 2005 on the School Corporation's credit card. No supporting documentation was presented for this purchase.

Amounts were charged to the School Corporation's credit card on other occasions for spa visits. While in Chicago, charges totaling \$143 were incurred at East Bank Club for a manicure, Swedish aroma, and facial. The receipts presented for examination denoted "staff bonus" or "birthday" on them. Another spa visit totaling \$310 was charged to the room of the School Director while attending a KIPP National event in Cancun, Mexico. No business purpose was noted on the charge.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRAVEL POLICY

The travel policy presented, for the period examined, covered only mileage reimbursement and related parking fees and tolls. The policy did not address what constitutes the School Corporation's boundaries for purposes of defining when a person is in travel status and what travel expenses are considered reimbursable.

A local unit may reimburse such persons for actual miles traveled in their own motor vehicles on the official business of the local unit at a reasonable rate per mile as fixed by an ordinance or resolution of the unit's legislative body. The mileage rate should be fixed by the board or commission having authority to approve claims for travel expenses. No particular mileage rate has been set by the State of Indiana for all local units of government and, consequently, the mileage rate lies within the discretion of the legislative body, board or commission, unless otherwise provided by statute. The body setting the mileage rate should also determine whether parking fees and toll charges are included in the rate or, on the other hand, whether such expenses are to be reimbursed separately based on the submission of receipts.

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Reimbursed mileage should not include travel to and from the officer's or employee's home and regular place of employment. If more than one person rides in the same vehicle, only one mileage reimbursement is allowable. General Form 101 (or an approved substitute) should be used for claiming mileage. The odometer reading columns on this form are to be used only when the distance between points cannot be determined by fixed mileage or official highway maps.

When traveling outside the local unit's boundaries on official business, officers and employees may also be reimbursed for meals, lodging, and incidental expenses as defined in the travel policy. The claim for reimbursement should be supported by itemized receipts from hotels, restaurants, and taxi cabs used by the officer or employee while traveling on official business.

It is permissible for the legislative body of the local unit or the board or commission having the authority to approve claims to adopt an ordinance or resolution establishing a reasonable per diem rate intended to cover travel expenses other than hotel and mileage costs and the officer or employee may be reimbursed on the basis of such a per diem rate in lieu of submitting receipts. If a fixed per diem rate is established by policy, the policy should clearly indicate which type of expenses, in addition to meals, are included in the rate and which expenses are to be reimbursed on the basis of actual receipts being submitted by the officer or employee. The policy should also define the local unit's boundaries for purposes of reimbursing travel; i.e., outside a 50-mile radius of the office, outside of the county, etc. The policy should cover a proportionate reduction in the per diem rate when meals are provided by an outside party.

When state statutes govern the amounts of allowable travel reimbursements, those statutes supersede local policy. Also, when determining the reasonableness of a mileage rate or per diem rate, consideration should be given to rates established by the State of Indiana and the Federal government. The local unit should, however, consider the income tax implications of setting its rates higher than the current Federal rates.

In all cases, an officer or employee requesting reimbursement for overnight travel is required to submit a receipt from the hotel or other meeting place where such accommodations were provided. (The School Administrator and Uniform Compliance Guidelines, Volume 167, September 2004)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CREDIT CARDS

The School Corporation used credit cards during the examination period without an approved credit card policy. Payments were made in numerous instances from statements and charge slips only or lacked adequate supporting documentation for individual charges.

Some examples include credit card purchases for meals to Bertolini's \$270, Eddie Merlot's \$261, RAM Big Horn Brewery \$72, and Outback \$34. The Bertolini's disbursement was not substantiated with adequate supporting documentation. The Eddie Merlot's charge appeared to be for four meals and included a tip of \$38. The RAM Big Horn Brewery purchase was substantiated with only a charge slip

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which did not detail items purchased. The charge slip denoted a \$10 tip was included. The Outback expenditure was substantiated with a charge slip only and included a tip of \$5. The notation: "Staff Dev." was hand-written at the top of the charge slip for Outback. No business purpose was noted for the Bertolini's, Eddie Merlot's, and RAM Big Horn Brewery purchases.

A similar comment appeared in prior Report B27054.

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

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should 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 appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should 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 should 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 Public School Corporations, Chapter 9)

CONDITION OF RECORDS

While examining payments described in the Examination Results and Comment titled Staff Bonuses and Appreciation, we discovered the spa visit to Salon Renaissance in the amount of \$200 was posted to the Walton Family Foundation Planning Grant Fund under expenditure account 23160, Promotion Expense.

While examining payments described in the Examination Results and Comment titled Credit Cards, we discovered the meals were posted to the General Fund under expenditure account 25690, Food Services - Other Food Services.

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(Continued)

Other charges to the School Corporation's credit card were purchases for round-trip airfare for the School Director in the amount of \$324 to fly to Oklahoma City from Indianapolis and flowers on two separate occasions for school employees on the birth or death of family members totaling \$87. The charges were posted to the Federal Programs I Fund. No supporting documentation was included with the credit card statement for the airfare or stating the business purpose.

All claims, invoices, receipts and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The Promotion Expense account is to be used to account for expenditures created by authority provided in the General School Powers Act to appropriate from the General Fund . . . (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

The Food Services subaccounts are used for expenditures: "concerned with providing food services to pupils and staff in a school or the school corporation." (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Political subdivisions 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. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INTERNAL CONTROLS - SCHOOL LUNCH

The procedures used for accounting for meals served to students during the examination did not provide summary level information which could be easily traced or verified to more detailed logs. Meals claimed were manually tabulated on lunch attendance logs. Some logs were not always fully completed. Monthly summaries of the meal information as tabulated were not presented for examination. Due to the

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lack of traceability of this information, we were unable to verify meals served to claims submitted to the Indiana Department of Education for reimbursement. Reimbursements of snacks served were claimed based on the number of free lunches served for claims examined. A similar comment appeared in prior Report B27054.

Additionally, we noted where School Corporation Officials did not adequately track or pursue collection of amounts owed from students who are to pay full and reduced prices for meals.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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EXIT CONFERENCE

The contents of this report were discussed on April 30, 2008, with Omotayo Ola-Niyi, Director of School and Treasurer; Virginia Gunther, Director of Finance and Operations; Reid Litwack, President of the School Board; and Beth Reynolds, Bookkeeping Plus, Inc. The official response has been made a part of this report and may be found on pages 26 and 27.

KIPP Indianapolis College Preparatory
OFFICIAL RESPONSE

Overdrawn Cash Balances – We are bringing the lunch fund back into balance since we discovered that we can pay expenses for this line out of the general fund. In regard to the general fund, we are working to keep that in a positive position through outside fund development to offset any deficit in this line item. The delay in receiving property tax funds has been an obstacle to keeping this fund positive.

Public Records Retention – A new set of procedures has been implemented to resolve the record keeping issues. Since the time of this audit period KIPP Indianapolis College Preparatory is now supported by a full time Operations Manager who has implemented a records management program for all Department of Education reports as well as all personnel records that support all Human Resource efforts. Our records management system was developed using the SBOA Public School Corporation manual and will remain under the direction of the Operations Manager in order to ensure consistency. Additionally, KIPP is employing the services of on-line storage of records software company to store our records. Processes are now in place to file the textbook reimbursement claims properly as well as keeping all personnel files up to date.

Errors on Claims – We have begun a new process when completing vouchers to list the specific business purpose as well as exactly who benefits from each claim. In addition, our board is now approving all claims.

Average Daily Membership (ADM) Lack of Records – The school now recognizes what records are required for review. In the past, the records were being constantly updated so that it was difficult to reconcile to the certified list. Additionally, KIPP is employing the services of an on-line storage of records software company to store our records. Through the support of the software program, this has now been corrected so that there will be one certified list to review.

Federal and State Agencies – Compliance Requirements – We have new personnel in place who are aware of the deadline for the ADM Report. This was not an issue for the 2007-2008 school year.

School Lunch Reimbursement Reports – We are currently filing all lunch reimbursement claims within the 10-day guideline. The original reports are being kept in a binder for review. Systems have also been put into place to ensure that we are correctly accounting for the number of meals served.

Staff Bonuses and Appreciation – New policies have been put into place to include language into employment contracts to allow and define such expenditures. When purchasing gift cards, the new procedures in place for all claims to list the specific business purpose and who benefited will also apply.

Travel Policy – KIPP Indianapolis College Preparatory believes that providing our staff with staff development conference and retreats, whether on-site or off-site, is essential to our mission, to wit, upholding and reinforcing the rigorous culture of academic excellence that supports the acceleration of each of our students by as much as two grade levels per school year! In June, 2007, KIPP Indianapolis College Preparatory hired an outside consultant and began a review of its own Fiscal Policies and Procedures including travel policies for professional development retreats and travel. As a result of this review and the subsequent hire of an Operations Manager a comprehensive travel policy has been developed that meets all the guidelines set forth herein.

Credit Cards - A credit card policy has already been approved by the board and complies with the SBOA requirements. In addition, the detailed receipt for each purchase is now being attached to the monthly statement when payment is made.

Condition of Records – KIPP is unique in its focus on staff appreciation. This can create difficulty in posting these types of expenses. We have requested guidance from SBOA on which expense account to post these to. In addition, our new credit card policy as well as the process of listing the business purpose for each receipt will resolve any problems with posting expenses to the appropriate funds.

Internal Controls School Lunch – We have new processes in place to meet the reporting requirements for the lunch program. We are now able to track what monies are owed by individual students and we are actively pursuing the collection of these amounts.