

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

INDIANA MATH AND SCIENCE ACADEMY - WEST
MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

02/23/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Hasan Damar Dilmurodjon Hujjev	07-01-09 to 07-31-10 09-01-10 to 06-30-12
Director/Principal	John Aytekin Dr. Fatih Unlu Guray Taysever	07-01-09 to 08-02-10 08-03-10 to 07-31-11 08-01-11 to 06-30-12
President of the School Board	Kent Millard	07-01-09 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE INDIANA MATH AND SCIENCE
ACADEMY - WEST, MARION COUNTY, INDIANA

We have audited the accompanying financial statement of the Indiana Math and Science Academy - West (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 17, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 17, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE INDIANA MATH AND SCIENCE
ACADEMY - WEST, MARION COUNTY, INDIANA

We have audited the financial statement of the Indiana Math and Science Academy - West (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 17, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

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INDIANA MATH AND SCIENCE ACADEMY - WEST
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments 07-01-09	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-10	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-11
General	\$ 11,833	\$ 3,380,133	\$ 3,118,794	\$ 4,499	\$ 277,671	\$ 3,344,390	\$ 3,302,451	\$ (803)	\$ 318,807
School Lunch	-	152,956	152,956	-	-	225,208	167,832	-	57,376
Textbook Rental	10,991	36,793	47,784	-	-	28,433	22,152	-	6,281
School Administration	518	40,522	41,040	-	-	32,067	32,067	-	-
Non-English Speaking Programs P.L. 273-1999	-	-	-	-	-	1,718	-	-	1,718
Title I 2008-2009	39,379	4,000	27,976	(15,403)	-	-	-	-	-
Title I 2009-2010	-	172,512	91,012	15,403	96,903	1,308	74,983	(23,228)	-
Title I 2010-2011	-	-	-	-	-	95,151	133,695	23,228	(15,316)
IDEA	-	12,771	12,771	-	-	-	-	-	-
Special Education 2009-2010	-	31,719	31,719	-	-	2,884	2,884	-	-
Special Education 2010-2011	-	-	-	-	-	27,535	43,128	-	(15,593)
Improving Teaching Quality, No Child Left, Title II, F	-	14,476	320	-	14,156	7	5,799	-	8,364
Public Charter School ESEA Title X, Part C	99,845	30,000	58,942	-	70,903	-	70,903	-	-
Facilities Grant	-	-	-	-	-	144,900	144,900	-	-
Fiscal Stabilization - Stimulus	-	80,737	80,737	-	-	-	-	-	-
Title I - Stimulus	-	93,781	68,511	-	25,270	30,298	48,749	-	6,819
Special Education - Stimulus	-	30,593	14,969	-	15,624	13,651	26,864	-	2,411
Education Technology	-	94,759	94,750	-	9	3,241	3,250	-	-
Totals	\$ 162,566	\$ 4,175,752	\$ 3,842,281	\$ 4,499	\$ 500,536	\$ 3,950,791	\$ 4,079,657	\$ (803)	\$ 370,867

The notes to the financial statement are an integral part of this statement.

INDIANA MATH AND SCIENCE ACADEMY - WEST
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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.

The accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory 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.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

INDIANA MATH AND SCIENCE ACADEMY - WEST
NOTES TO FINANCIAL STATEMENT
(Continued)

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Temporary loans which include money received from a loan obtained to pay current expenses.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Noninstructional services which include outflows for food service operations and community service operations.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally,

INDIANA MATH AND SCIENCE ACADEMY - WEST
NOTES TO FINANCIAL STATEMENT
(Continued)

some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. The budget is subject to final approval by the School Corporation's chartering agency.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 4. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

Note 5. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and

INDIANA MATH AND SCIENCE ACADEMY - WEST
NOTES TO FINANCIAL STATEMENT
(Continued)

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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is 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 Indiana Public Retirement System (INPRS) 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 percent 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.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

INDIANA MATH AND SCIENCE ACADEMY - WEST
NOTES TO FINANCIAL STATEMENT
(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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

INDIANA MATH AND SCIENCE ACADEMY - WEST
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	School Lunch	Textbook Rental	School Administration	Title I 2008-2009	Title I 2009-2010	IDEA	Special Education 2009-2010
Cash and investments - beginning	\$ 11,833	\$ -	\$ 10,991	\$ 518	\$ 39,379	\$ -	\$ -	\$ -
Receipts:								
Local sources	18,722	6,873	12,871	40,522	-	90	-	-
State sources	2,345,106	364	23,922	-	-	-	-	-
Federal sources	-	145,719	-	-	4,000	172,422	12,771	31,719
Temporary loans	1,016,305	-	-	-	-	-	-	-
Total receipts	<u>3,380,133</u>	<u>152,956</u>	<u>36,793</u>	<u>40,522</u>	<u>4,000</u>	<u>172,512</u>	<u>12,771</u>	<u>31,719</u>
Disbursements:								
Current:								
Instruction	1,179,628	-	47,609	5,758	21,997	85,725	12,771	31,190
Support services	1,182,379	-	175	28,680	4,959	5,073	-	529
Noninstructional services	46,184	152,956	-	4,446	1,020	214	-	-
Facilities acquisition and construction	598,206	-	-	2,156	-	-	-	-
Debt services	112,397	-	-	-	-	-	-	-
Total disbursements	<u>3,118,794</u>	<u>152,956</u>	<u>47,784</u>	<u>41,040</u>	<u>27,976</u>	<u>91,012</u>	<u>12,771</u>	<u>31,719</u>
Excess (deficiency) of receipts over disbursements	<u>261,339</u>	<u>-</u>	<u>(10,991)</u>	<u>(518)</u>	<u>(23,976)</u>	<u>81,500</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	1,227,364	-	-	-	-	15,403	-	-
Transfers out	<u>(1,222,865)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,403)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,403)</u>	<u>15,403</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>265,838</u>	<u>-</u>	<u>(10,991)</u>	<u>(518)</u>	<u>(39,379)</u>	<u>96,903</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 277,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,903</u>	<u>\$ -</u>	<u>\$ -</u>

INDIANA MATH AND SCIENCE ACADEMY - WEST
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Improving Teaching Quality, No Child Left, Title II, Part A	Public Charter School ESEA Title X, Part C	Fiscal Stabilization - Stimulus	Title I - Stimulus	Special Education - Stimulus	Education Technology	Totals
Cash and investments - beginning	\$ -	\$ 99,845	\$ -	\$ -	\$ -	\$ -	\$ 162,566
Receipts:							
Local sources	-	-	-	-	5	9	79,092
State sources	-	-	-	-	-	-	2,369,392
Federal sources	14,476	30,000	80,737	93,781	30,588	94,750	710,963
Temporary loans	-	-	-	-	-	-	1,016,305
Total receipts	<u>14,476</u>	<u>30,000</u>	<u>80,737</u>	<u>93,781</u>	<u>30,593</u>	<u>94,759</u>	<u>4,175,752</u>
Disbursements:							
Current:							
Instruction	-	-	-	68,511	14,969	-	1,468,158
Support services	-	27,725	31,241	-	-	52,010	1,332,771
Noninstructional services	320	-	-	-	-	-	205,140
Facilities acquisition and construction	-	31,217	49,496	-	-	42,740	723,815
Debt services	-	-	-	-	-	-	112,397
Total disbursements	<u>320</u>	<u>58,942</u>	<u>80,737</u>	<u>68,511</u>	<u>14,969</u>	<u>94,750</u>	<u>3,842,281</u>
Excess (deficiency) of receipts over disbursements	<u>14,156</u>	<u>(28,942)</u>	<u>-</u>	<u>25,270</u>	<u>15,624</u>	<u>9</u>	<u>333,471</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,242,767
Transfers out	-	-	-	-	-	-	(1,238,268)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,499</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>14,156</u>	<u>(28,942)</u>	<u>-</u>	<u>25,270</u>	<u>15,624</u>	<u>9</u>	<u>337,970</u>
Cash and investments - ending	<u>\$ 14,156</u>	<u>\$ 70,903</u>	<u>\$ -</u>	<u>\$ 25,270</u>	<u>\$ 15,624</u>	<u>\$ 9</u>	<u>\$ 500,536</u>

INDIANA MATH AND SCIENCE ACADEMY - WEST
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	School Lunch	Textbook Rental	School Administration	Non-English Speaking Programs P.L. 273-1999	Title I 2009-2010	Title I 2010-2011	Special Education 2009-2010
Cash and investments - beginning	\$ 277,671	\$ -	\$ -	\$ -	\$ -	\$ 96,903	\$ -	\$ -
Receipts:								
Local sources	39,473	13,278	9,140	32,067	-	(89)	-	-
State sources	3,301,243	950	19,293	-	1,718	-	-	-
Federal sources	3,674	210,980	-	-	-	1,397	95,151	2,884
Total receipts	<u>3,344,390</u>	<u>225,208</u>	<u>28,433</u>	<u>32,067</u>	<u>1,718</u>	<u>1,308</u>	<u>95,151</u>	<u>2,884</u>
Disbursements:								
Current:								
Instruction	1,488,561	-	22,102	532	-	66,400	38,444	2,916
Support services	1,467,406	-	50	30,636	-	8,583	8,279	(32)
Noninstructional services	23,842	167,832	-	449	-	-	-	-
Facilities acquisition and construction	278,970	-	-	450	-	-	86,972	-
Debt services	43,672	-	-	-	-	-	-	-
Total disbursements	<u>3,302,451</u>	<u>167,832</u>	<u>22,152</u>	<u>32,067</u>	<u>-</u>	<u>74,983</u>	<u>133,695</u>	<u>2,884</u>
Excess (deficiency) of receipts over disbursements	<u>41,939</u>	<u>57,376</u>	<u>6,281</u>	<u>-</u>	<u>1,718</u>	<u>(73,675)</u>	<u>(38,544)</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	35,464	-	-	-	-	-	23,228	-
Transfers out	<u>(36,267)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,228)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(803)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,228)</u>	<u>23,228</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>41,136</u>	<u>57,376</u>	<u>6,281</u>	<u>-</u>	<u>1,718</u>	<u>(96,903)</u>	<u>(15,316)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 318,807</u>	<u>\$ 57,376</u>	<u>\$ 6,281</u>	<u>\$ -</u>	<u>\$ 1,718</u>	<u>\$ -</u>	<u>\$ (15,316)</u>	<u>\$ -</u>

INDIANA MATH AND SCIENCE ACADEMY - WEST
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Special Education 2010-2011	Improving Teaching Quality, No Child Left, Title II, Part A	Public Charter School ESEA Title X, Part C	Facilities Grant	Title I - Stimulus	Special Education - Stimulus	Education Technology	Totals
Cash and investments - beginning	\$ -	\$ 14,156	\$ 70,903	\$ -	\$ 25,270	\$ 15,624	\$ 9	\$ 500,536
Receipts:								
Local sources	-	7	-	-	6	2	(9)	93,875
State sources	-	-	-	-	-	-	-	3,323,204
Federal sources	<u>27,535</u>	<u>-</u>	<u>-</u>	<u>144,900</u>	<u>30,292</u>	<u>13,649</u>	<u>3,250</u>	<u>533,712</u>
Total receipts	<u>27,535</u>	<u>7</u>	<u>-</u>	<u>144,900</u>	<u>30,298</u>	<u>13,651</u>	<u>3,241</u>	<u>3,950,791</u>
Disbursements:								
Current:								
Instruction	33,695	-	36,675	-	44,282	26,864	-	1,760,471
Support services	9,433	5,799	(1,954)	-	1,155	-	3,250	1,532,605
Noninstructional services	-	-	-	-	-	-	-	192,123
Facilities acquisition and construction	-	-	36,182	144,900	3,312	-	-	550,786
Debt services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,672</u>
Total disbursements	<u>43,128</u>	<u>5,799</u>	<u>70,903</u>	<u>144,900</u>	<u>48,749</u>	<u>26,864</u>	<u>3,250</u>	<u>4,079,657</u>
Excess (deficiency) of receipts over disbursements	<u>(15,593)</u>	<u>(5,792)</u>	<u>(70,903)</u>	<u>-</u>	<u>(18,451)</u>	<u>(13,213)</u>	<u>(9)</u>	<u>(128,866)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	58,692
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,495)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(803)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(15,593)</u>	<u>(5,792)</u>	<u>(70,903)</u>	<u>-</u>	<u>(18,451)</u>	<u>(13,213)</u>	<u>(9)</u>	<u>(129,669)</u>
Cash and investments - ending	<u>\$ (15,593)</u>	<u>\$ 8,364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,819</u>	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ 370,867</u>

INDIANA MATH AND SCIENCE ACADEMY - WEST
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2011

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>Primary Government</u>	<u>Ending Balance</u>
School assets:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 306,271
Machinery and equipment	<u>788,322</u>
 Total School assets	 <u>\$ 1,094,593</u>

INDIANA MATH AND SCIENCE ACADEMY - WEST
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 June 31, 2011

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
School debt:		
Notes and loans payable	\$ 2,109,144	\$ -

INDIANA MATH AND SCIENCE ACADEMY - WEST
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER TEXTBOOK RENTAL, SCHOOL LUNCH, AND OTHER RECEIPTS

Proper controls and segregation of duties for the collection, depositing, receipting and refunding of money collected as well as tracking of delinquent accounts were insufficient. We identified several control deficiencies as follows:

- Monies were collected for textbook rental, school lunch, and other various sources (field trips, club fees, uniforms, etc.) by the secretaries in the elementary and middle school/high school offices. The prescribed receipt form was not in use at these collection points. Store bought receipt books were used to provide receipts to students and parents at the point of collection.
- Deposits were made by the secretaries and the Business Manager. Deposits were not made daily. In 2009-2010, some months only had three or four deposits. In 2010-2011, deposits were made approximately twice a week.
- Official receipts were issued by the Business Manager for the amount of the deposit. Some of the official receipts reviewed did not reconcile to the amounts on receipts issued from the store bought receipt books for the time periods tested.
- During the review of the store bought receipt books, several receipts were labeled "refunded" which indicated cash refunds were made from daily collections.
- Summarized information was provided to the Business Manager by the secretaries regarding sources of receipts. From the information provided, the Business Manager entered school lunch payments into the computerized lunch system to the appropriate student accounts. Student account balances for textbook rental was not maintained.
- The Business Manager was responsible for maintaining students' textbook rental and school lunch accounts to determine who was delinquent and was also responsible for sending delinquent notices. The School does not have a formal policy for uncollectible accounts. According to the Business Manager, delinquent accounts were not actively pursued. Information regarding delinquent account balances at June 30, 2010 and June 30, 2011, was not presented for audit.

Due to the insufficient controls and lack of source documents available for school lunch, textbook rental, and other various receipts, all necessary reviews could not be performed to ensure that all monies received were properly deposited and receipted into the financial records.

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)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts by the governmental unit to collect amounts owed prior to any write-offs.

INDIANA MATH AND SCIENCE ACADEMY - WEST
AUDIT RESULTS AND COMMENTS
(Continued)

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 Public School Corporations, Chapter 9)

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . . Public funds deposited . . . shall be deposited in the same form in which they were received."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Credit card disbursements selected for review, totaling \$11,521 were not supported by adequate documentation. All of the disbursements were made by electronic funds transfer (EFT). EFT payments for credit cards were made several times a month and were not for the entire credit card balance. Partial payments were made inconsistently and claims were not always prepared for each partial payment. Partial payments were not compared to monthly credit card statements and supporting documentation was not reconciled and attached to each monthly statement. The following deficiencies were noted in relation to the disbursements tested:
 - Two disbursements made in June 2009, totaling \$1,808, only had \$205 of original receipts to support the payment.
 - Four disbursements made in September 2009, totaling \$7,077, did not have original receipts or other documentation to support the claims.
 - Two disbursements made in March and April 2011, totaling \$2,069 did not have adequate documentation.
 - Six disbursements were selected for testing in May and June 2011, totaling \$10,028. Claims were not presented for these disbursements. Credit card receipts totaling \$9,256 were provided for that time period, but were not attached to any claims or reconciled to any specific disbursement. Because of partial payments being made and lack of organization of the records, we were not able to verify that the credit card receipts presented supported the payments made during that period.
2. Two of the three additional (not credit cards) EFT disbursements selected for review were not supported by adequate documentation. One claim for \$43 did not have supporting documentation attached to claim. The other claim for \$300 had a remittance stub attached, but did not provide detailed information about the purchase.

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.

INDIANA MATH AND SCIENCE ACADEMY - WEST
AUDIT RESULTS AND COMMENTS
(Continued)

(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."

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)

PETTY CASH FUND

A Petty Cash Fund of \$500 was established by the School Corporation. The entire \$500 was disbursed and did not have receipts or other documentation to account for the transactions. The School Corporation requested that the prior Business Manager reimburse the \$500. The School Corporation received and deposited petty cash reimbursement of \$500 from the prior Business Manager on November 30, 2011.

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)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING AND LACK OF SUPPORTING DOCUMENTATION

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2010 and 2011. School attendance records presented for the count dates of September 18, 2009, and September 17, 2010, did not agree with the students reported to Indiana Department of Education (IDOE) for ADM. The attendance records presented for audit were created when the information was requested for audit from the school's computer system for the count dates and were not certified by the principal. The following differences were noted between the attendance reports and the students reported to IDOE for ADM:

INDIANA MATH AND SCIENCE ACADEMY - WEST
 AUDIT RESULTS AND COMMENTS
 (Continued)

Description of Differences	2009-2010 Difference	2010-2011 Difference
Students reported on attendance records, not on ADM	(5)	(19)
Students reported on ADM, not on attendance records	1	1
Students reported twice on ADM	-	1
Students under reported based on attendance records	<u>(4)</u>	<u>(17)</u>

School officials indicated that exceptions reports were received by IDOE for both school years. Exception reports were used to report errors with specific students that had been claimed on ADM. However, the exception reports were not maintained for audit. Therefore, we were unable to determine if the differences between the attendance reports and the ADM reports were a result of the exceptions or how the school resolved the exceptions.

Indiana Code 5-15-6-3(f) 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

NEGATIVE RECEIPTS AND DISBURSEMENTS

Some corrections and reclassifications were made in the records by recording negative receipts and disbursements. On several occasions, the school reclassified disbursements in one school year that were related to another school year. This resulted in negative receipts and disbursements reported in the financial statement.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

INDIANA MATH AND SCIENCE ACADEMY - WEST
AUDIT RESULTS AND COMMENTS
(Continued)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL FEES

Textbook rental fees charged for the school years 2009-2010 and 2010-2011 were not properly calculated. The School charged the same amount of fees for all grades. The amount charged was not based on any calculations or actual costs.

Indiana Code 20-26-12-2 states in part:

". . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of a textbook that has been:

- (1) adopted for usage by students under IC 20-20-5;
- (2) extended for usage by students under IC 20-20-5-2; and
- (3) paid for through rental fees previously collected. . . ."

OFFICIAL BONDS

The official bonds of the prior Treasurer and the current Treasurer for the audit period were not recorded with the county recorder's office. Additionally, the current Treasurer did not have an official bond for the period of September 1, 2010 through February 29, 2011. The current Treasurer obtained a bond effective March 1, 2011.

Indiana Code 20-26-4-5 states in part:

"For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body."

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE INDIANA MATH AND SCIENCE
ACADEMY - WEST, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the Indiana Math and Science Academy - West (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, School Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 17, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the School Corporation. The schedule and note are presented as intended by the School Corporation.

INDIANA MATH AND SCIENCE ACADEMY - WEST
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-10	Total Federal Awards Expended 06-30-11
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	FY09	\$ 5,118	\$ -
		FY10	39,626	8,100
		FY11	-	46,894
Total for program			<u>44,744</u>	<u>54,994</u>
National School Lunch Program				
	10.555	FY09	10,525	-
		FY10	90,450	22,951
		FY11	-	133,035
Total for program			<u>100,975</u>	<u>155,986</u>
Total for federal grantor agency			<u>145,719</u>	<u>210,980</u>
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	09-9785	27,976	-
		10-9785	91,010	74,984
		11-9785	-	133,694
Total for program			<u>118,986</u>	<u>208,678</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-9785	<u>68,511</u>	<u>48,748</u>
Total for cluster			<u>187,497</u>	<u>257,426</u>
Special Education Cluster				
Special Education - Grants to States	84.027	14209-218-PN01	12,771	-
		14210-218-PN01	31,719	2,885
		14211-218-PN01	-	43,129
Total for program			<u>44,490</u>	<u>46,014</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY10	<u>14,969</u>	<u>26,863</u>
Total for cluster			<u>59,459</u>	<u>72,877</u>
Educational Technology State Grants Cluster				
ARRA - Education Technology State Grants, Recovery Act	84.386	FY10	<u>94,750</u>	<u>3,250</u>
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	<u>80,736</u>	-
Charter Schools				
Implementation	84.282	FY10	58,942	70,903
Per Pupil Facilities Funding		FY11	-	144,900
Total for program			<u>58,942</u>	<u>215,803</u>
Improving Teacher Quality State Grants	84.367	FY10	<u>320</u>	<u>5,799</u>
Total for federal grantor agency			<u>481,704</u>	<u>555,155</u>
Total federal awards expended			<u>\$ 627,423</u>	<u>\$ 766,135</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

INDIANA MATH AND SCIENCE ACADEMY-WEST
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Indiana Math and Science Academy (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

INDIANA MATH AND SCIENCE ACADEMY - WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I, Part A Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - INTERNAL CONTROLS OVER THE VERIFICATION OF FREE AND REDUCED MEAL APPLICATIONS

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY10, FY11
Pass-Through Entity: Indiana. Department of Education

INDIANA MATH AND SCIENCE ACADEMY - WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Proper internal controls were not in place to ensure that the verification of free and reduced meal applications was performed in accordance with grant requirements and that related reports were accurate. An adequate amount of applications appear to have been tested, but it was difficult to determine which applications were selected for review. The School Corporation did not maintain a list of names selected for verification or segregate the applications verified. Copies of letters sent to parents requesting information were the only documentation available to indicate which applications were verified. The verification process is required to be completed by November 15th of each year. However, letters for 2009-2010 were requesting information in February 2010 which was past the deadline. Upon review of the applications identified by the letters, it was noted that the "Verification" section on the back of the applications was not completed. However, one application verified for 2010-2011 indicated a change in status which was written across the top of the front page of the application. It was also noted that other applications not identified by a request for verification letter had status changes written on top of the applications. Due to the condition of records, we were not able to verify exactly which applications were selected for verification or determine if any changes were made to the statuses of the applications verified.

Verification activity reported on the Verification Summary reports for 2009-2010 and 2010-2011 was not accurate. The reports included numbers that could not be verified or did not agree with other supporting documents. The number of free and reduced students did not agree with the numbers reported on the monthly school lunch reimbursement claim for October of each year. The 2009-2010 report showed differences of 80 students on free and 3 students on reduced and the 2010-2011 report showed differences of 106 students on free. The 2010-2011 Verification Summary report included the same number of students and applications which is not correct. Several applications reviewed included multiple students which indicated more students than applications. The reports for both school years also reported no changes in statuses. However, the Business Manager stated that there were status changes for 2010-2011 and at least one application reviewed showed evidence of a status change. Since the "Verification" section on the applications was not completed, we were not able to determine how many status changes were actually made.

Due to the magnitude of noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

7CFR245.6a states in part:

"(b) Deadline and extensions for local educational agencies

(1) Deadline. The local education agency must complete the verification efforts specified in paragraph (c) of this section not later than November 15 of each school year. . . .

(f) Verification procedures and assistance for households . . .

(7) Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. . . .

(h) Verification reporting and recordkeeping requirements. By March 1, each year, local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . ."

Failure to comply with grant requirements could cause the School Corporation to be ineligible to receive future federal awards.

INDIANA MATH AND SCIENCE ACADEMY - WEST
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended the School Corporation should comply with all grants requirements and implement proper procedures and controls to ensure that reports filed are accurate and supported by adequate documentation.

FINDING 2011-2 - INTERNAL CONTROLS OVER CASH MANAGEMENT

Federal Agency: U.S. Department of Education

Federal Program: Title I, Part A Cluster

CFDA Number: 84.010, 84.389

Federal Award Number and Year (or Other Identifying Number): 09-9785, 10-9785, 11-9785

Pass-Through Entity: Indiana Department of Education

Proper internal controls were not in place to ensure that surplus cash was not on hand. Amounts received by the School Corporation for the Title I, Part A Cluster Grants were drawn down in advance. School Corporation officials are required to review needs and draw funds as needed in accordance with federal guidelines. The drawdown requests are included in the applications for grant funds. The cash balance of Title I grant funds exceeded the allowable cash balance based on estimated future requirements for 12 of the 12 months in 2009-2010 and 2 of the 12 months in 2010-2011. The cash balance of all Title I grants at June 30, 2010, as reported to the Indiana Department of Education, was \$122,173, which was approximately 45 percent of the total grants received during 2009-2010. The estimated cash needs in the few months subsequent to year end did not substantiate the need for this amount of cash. Cash drawdown requests were not revised to ensure there would not be excess cash on hand throughout the school years. The 2 months of excess cash balances in 2010-2011 were due to the large carryover of unspent funds from 2009-2010. In 2010-2011, the method used for drawdowns changed and resulted in a negative cash balance of \$8,467 for June 30, 2011.

Due to the magnitude of noncompliance and weaknesses in internal controls, we have determined this to be a material weakness.

34 CFR 80.20 (b)(7) states:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

We recommended that School Corporation officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

INDIANA MATH AND SCIENCE ACADEMY - WEST
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Indiana Math & Science Academy – West

Corrective Action Plan

FEDERAL FINDING 2011-1, VERIFICATION OF FREE/REDUCED APPLICATIONS

Federal Agency: U.S. Department of Agriculture
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY10, FY11
Pass-through Entity: U.S. Department of Education

Internal Controls over the verification of Free & Reduced Meal Applications

Corrective Action Plan:

A listing of all students will be maintained. There will be a check off sheet for each application received to determine status of Free & Reduced qualifications. After it has been tested to meet the program requirements, a sign off on the top right hand corner will denote the proof of testing. With the application, the proof of testing will be attached to prove the information is correct and that they are in compliance. All applications will be signed on the back of the application after completing verification section.

This will be maintained in a file to ensure reliability of the records. Also, these records will be kept together so show they are available for audit as well.

FEDERAL FINDING 2011-2, CASH MANGEMENT

Federal Agency: U.S. Department of Education
Federal Program: Title I, Part A Cluster
CFDA Number: 84.010, 84.389
Federal Award Number and Year (or Other Identifying Number): 09-9785, 10-9785, 11-9785
Pass-through Entity: Indiana Department of Education

Internal Controls over Cash Management - Title I

Corrective Action Plan:

When the grant is set up, a budget was prepared that can be adhered to so that reclasses will not be needed which is what happened in this case. We will be reviewing all grant reports on a monthly basis at the school level and will have quarterly meetings with the principal, school treasurer and a representative from Concepts Schools, the Educational Management Organization to ensure all expenses are being tracked correctly and appropriately. If we see we are going outside budget we will put in for an immediate amendment plan to change our expenses. In doing this the cash overages should be eliminated.

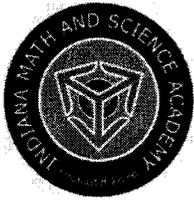
Business Manager Murat Hujjev



12/20/2011

INDIANA MATH AND SCIENCE ACADEMY - WEST
EXIT CONFERENCE

The contents of this report were discussed on January 17, 2012, with Dilmurodjon Hujaev, Treasurer; Guray Taysever, Director/Principal; and Murat Dundar, Treasurer of the School Board. The Official Response has been made a part of this report and may be found on pages 40 and 41.



INDIANA MATH AND SCIENCE ACADEMY WEST

4575 W.38th Street. Indianapolis, IN 46254 ♦ Phone: (317) 298-0025 ♦ Fax: (317) 282-0505
WEB: <http://www.imsaindy.org> **e-mail:** info@imsaindy.org

Indiana Math and Science Academy would like to formally respond to the audit comment noted in your examination results for 2010 and 2011.

Internal Controls over textbook rental, school lunch and other receipts:

The school will adopt new policies to tighten the controls over money received including:

The prescribed receipt form will be used to document all funds received from students and other sources at the time of receipt.

The business manager will tie out the deposit receipts to the amount of the daily deposit before it is made.

All funds will be deposited directly to the bank. No refunds or other funds will be taken out of the deposit before it goes to the bank.

These individual deposits will be used as documentation to enter into the student management software. Delinquent amounts will be followed up on immediately.

A formal policy on uncollectable accounts will be adopted.

Deposits will be made within the 24-hour window that SBOA requires.

Errors on Claims:

Credit card payments will only be made once a month, paying the full amount due. All receipts and other documentation will be attached to the bill at the time of payment.

Petty Cash Fund:

The school will no longer have a petty cash fund.

ADM—Incorrect reporting and lack of supporting documentation:

On count day, we will print off a report from our student management software listing our students. The school principal will certify this list and a hard copy will be kept in our files. After the exceptions have been resolved, we will print a new list from our system and it will be approved and certified by the principal. Both lists will be available for review.

Negative receipts and disbursements:

We will communicate with our bookkeeping firm so that grant expenses will be coded properly at the time of payment instead of making reclasses at a later time. We will also make sure that all deposit information is correct as part of our new controls on receipts.

Textbook rental fees:

We will create a new matrix for calculating the textbook rental fees so that each grade is charged the appropriate amount.

Official Bonds:

We will ensure that our school treasurer is consistently bonded and that the bond gets filed each year with the county recorders office.

