

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
MARION COUNTY, INDIANA

July 1, 2009 to June 30, 2011



**FILED**

03/16/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Andrea D. Turner Emily R. Pelino	07-01-09 to 07-31-09 08-01-09 to 06-30-12
Superintendent of Schools/School Leader	Estee Kelly Emily R. Pelino	07-01-09 to 05-31-10 06-01-10 to 06-30-12
Chairman of the Board of Directors	Reid Litwack David O. Mann	07-01-09 to 02-01-10 02-02-10 to 06-30-12
Director of Finance and Administration	Troy Tyson Brenda Albright	07-01-09 to 06-30-11 07-01-11 to 06-30-12



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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 KIPP INDIANAPOLIS COLLEGE  
PREPARATORY, MARION COUNTY, INDIANA

We have audited the accompanying financial statement of the KIPP Indianapolis College Preparatory (School Corporation), for the years ended June 30, 2010 and 2011. The 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 February 8, 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, Other Financing Sources (Uses), 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, Other Financing Sources (Uses), 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.

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

February 8, 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 KIPP INDIANAPOLIS COLLEGE  
PREPARATORY, MARION COUNTY, INDIANA

We have audited the financial statement of the KIPP Indianapolis College Preparatory (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated February 8, 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 statement is 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.

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

February 8, 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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KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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	\$ 95,011	\$ 1,766,826	\$ 1,836,380	\$ 264	\$ 25,721	\$ 1,810,312	\$ 1,721,820	\$ 782	\$ 114,995
School Lunch	-	81,695	81,695	-	-	155,149	153,346	-	1,803
KIPP Foundation	18,934	-	18,934	-	-	-	-	-	-
Miscellaneous Programs	3,675	361	4,036	-	-	-	-	-	-
Unrestricted Contributions	40	14,619	13,019	-	1,640	57,044	58,100	-	584
School Technology	-	-	-	-	-	3,120	2,600	-	520
Title I 2008-2009	17,394	-	5,128	(12,266)	-	-	-	-	-
Title I 2009-2010	-	191,657	172,840	12,266	31,083	9,552	19,465	(21,170)	-
Title I 2010-2011	-	-	-	-	-	120,140	143,316	21,170	(2,006)
Title I School Improvement	-	-	-	-	-	-	1,931	-	(1,931)
Special Education 2010-2011	-	-	-	-	-	35,633	35,633	-	-
ITQ, Enhanced Education Through Technology, Title II, Part D	17,293	46,634	44,735	-	19,192	-	19,192	-	-
Title II 2009-2010	-	-	-	-	-	17,947	20,640	-	(2,693)
Facilities	-	-	-	-	-	16,100	16,100	-	-
Fiscal Stabilization - Education	-	49,752	49,752	-	-	-	-	-	-
Title I - Grants to LEAs	-	157,000	142,423	-	14,577	17,182	31,759	-	-
Special Education - Part B	-	-	-	-	-	30,000	30,000	-	-
Education Jobs	-	-	-	-	-	56,735	56,735	-	-
<b>Totals</b>	<u>\$ 152,347</u>	<u>\$ 2,308,544</u>	<u>\$ 2,368,942</u>	<u>\$ 264</u>	<u>\$ 92,213</u>	<u>\$ 2,328,914</u>	<u>\$ 2,310,637</u>	<u>\$ 782</u>	<u>\$ 111,272</u>

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

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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 investment income 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.

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.

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*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, 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 operation 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,

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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.

**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 give

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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.

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
 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	KIPP Foundation	Miscellaneous Programs	Unrestricted Contributions	Title I 2008-2009
Cash and investments - beginning	\$ 95,011	\$ -	\$ 18,934	\$ 3,675	\$ 40	\$ 17,394
Receipts:						
Local sources	12,772	362	-	361	14,619	-
State sources	1,739,271	542	-	-	-	-
Federal sources	-	80,791	-	-	-	-
Temporary loans	14,783	-	-	-	-	-
Total receipts	<u>1,766,826</u>	<u>81,695</u>	<u>-</u>	<u>361</u>	<u>14,619</u>	<u>-</u>
Disbursements:						
Current:						
Instruction	797,425	-	-	4,036	63	4,159
Support services	794,655	-	18,934	-	12,916	969
Noninstructional services	39,085	81,695	-	-	-	-
Facilities acquisition and construction	78,284	-	-	-	-	-
Debt services	126,931	-	-	-	40	-
Total disbursements	<u>1,836,380</u>	<u>81,695</u>	<u>18,934</u>	<u>4,036</u>	<u>13,019</u>	<u>5,128</u>
Excess (deficiency) of receipts over disbursements	<u>(69,554)</u>	<u>-</u>	<u>(18,934)</u>	<u>(3,675)</u>	<u>1,600</u>	<u>(5,128)</u>
Other financing sources (uses):						
Transfers in	100	-	-	-	-	-
Transfers out	164	-	-	-	-	(12,266)
Total other financing sources (uses)	<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,266)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(69,290)</u>	<u>-</u>	<u>(18,934)</u>	<u>(3,675)</u>	<u>1,600</u>	<u>(17,394)</u>
Cash and investments - ending	<u>\$ 25,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640</u>	<u>\$ -</u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2010  
 (Continued)

	Title I 2009-2010	ITQ, Enhanced Education Through Technology, Title II, Part D	Fiscal Stabilization - Education	Title I - Grants to LEAs	Totals
Cash and investments - beginning	\$ -	\$ 17,293	\$ -	\$ -	\$ 152,347
Receipts:					
Local sources	-	-	-	-	28,114
State sources	-	-	-	-	1,739,813
Federal sources	191,657	46,634	49,752	157,000	525,834
Temporary loans	-	-	-	-	14,783
Total receipts	<u>191,657</u>	<u>46,634</u>	<u>49,752</u>	<u>157,000</u>	<u>2,308,544</u>
Disbursements:					
Current:					
Instruction	57,682	44,735	-	140,991	1,049,091
Support services	112,127	-	41,158	1,432	982,191
Noninstructional services	3,031	-	-	-	123,811
Facilities acquisition and construction	-	-	8,594	-	86,878
Debt services	-	-	-	-	126,971
Total disbursements	<u>172,840</u>	<u>44,735</u>	<u>49,752</u>	<u>142,423</u>	<u>2,368,942</u>
Excess (deficiency) of receipts over disbursements	<u>18,817</u>	<u>1,899</u>	<u>-</u>	<u>14,577</u>	<u>(60,398)</u>
Other financing sources (uses):					
Transfers in	12,266	-	-	-	12,366
Transfers out	-	-	-	-	(12,102)
Total other financing sources (uses)	<u>12,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>31,083</u>	<u>1,899</u>	<u>-</u>	<u>14,577</u>	<u>(60,134)</u>
Cash and investments - ending	<u>\$ 31,083</u>	<u>\$ 19,192</u>	<u>\$ -</u>	<u>\$ 14,577</u>	<u>\$ 92,213</u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
 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	Unrestricted Contributions	School Technology	Title I 2009-2010	Title I 2010-2011	Title I School Improvement	Special Education 2010-2011
Cash and investments - beginning	\$ 25,721	\$ -	\$ 1,640	\$ -	\$ 31,083	\$ -	\$ -	\$ -
Receipts:								
Local sources	13,301	1,472	57,044	-	-	-	-	-
State sources	1,770,732	707	-	3,120	-	-	-	-
Federal sources	-	152,970	-	-	9,552	120,140	-	35,633
Other	26,279	-	-	-	-	-	-	-
Total receipts	<u>1,810,312</u>	<u>155,149</u>	<u>57,044</u>	<u>3,120</u>	<u>9,552</u>	<u>120,140</u>	<u>-</u>	<u>35,633</u>
Disbursements:								
Current:								
Instruction	800,245	-	9,484	-	8,093	118,991	1,931	35,633
Support services	744,585	-	41,487	2,600	10,927	24,325	-	-
Noninstructional services	8,899	153,346	675	-	445	-	-	-
Facilities acquisition and construction	56,454	-	6,454	-	-	-	-	-
Debt services	111,637	-	-	-	-	-	-	-
Total disbursements	<u>1,721,820</u>	<u>153,346</u>	<u>58,100</u>	<u>2,600</u>	<u>19,465</u>	<u>143,316</u>	<u>1,931</u>	<u>35,633</u>
Excess (deficiency) of receipts over disbursements	<u>88,492</u>	<u>1,803</u>	<u>(1,056)</u>	<u>520</u>	<u>(9,913)</u>	<u>(23,176)</u>	<u>(1,931)</u>	<u>-</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	21,170	-	-
Transfers out	782	-	-	-	(21,170)	-	-	-
Total other financing sources (uses)	<u>782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,170)</u>	<u>21,170</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>89,274</u>	<u>1,803</u>	<u>(1,056)</u>	<u>520</u>	<u>(31,083)</u>	<u>(2,006)</u>	<u>(1,931)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 114,995</u>	<u>\$ 1,803</u>	<u>\$ 584</u>	<u>\$ 520</u>	<u>\$ -</u>	<u>\$ (2,006)</u>	<u>\$ (1,931)</u>	<u>\$ -</u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2011  
 (Continued)

	ITQ, Enhanced Education Through Technology, Title II, Part D	Title II 2009-2010	Facilities	Title I - Grants to LEAs	Special Education - Part B	Education Jobs	Totals
Cash and investments - beginning	\$ 19,192	\$ -	\$ -	\$ 14,577	\$ -	\$ -	\$ 92,213
Receipts:							
Local sources	-	-	-	-	30,000	-	101,817
State sources	-	-	-	-	-	-	1,774,559
Federal sources	-	17,947	16,100	17,182	-	56,735	426,259
Other	-	-	-	-	-	-	26,279
Total receipts	<u>-</u>	<u>17,947</u>	<u>16,100</u>	<u>17,182</u>	<u>30,000</u>	<u>56,735</u>	<u>2,328,914</u>
Disbursements:							
Current:							
Instruction	18,775	19,809	-	17,786	30,000	56,735	1,117,482
Support services	417	831	-	13,973	-	-	839,145
Noninstructional services	-	-	-	-	-	-	163,365
Facilities acquisition and construction	-	-	16,100	-	-	-	79,008
Debt services	-	-	-	-	-	-	111,637
Total disbursements	<u>19,192</u>	<u>20,640</u>	<u>16,100</u>	<u>31,759</u>	<u>30,000</u>	<u>56,735</u>	<u>2,310,637</u>
Excess (deficiency) of receipts over disbursements	<u>(19,192)</u>	<u>(2,693)</u>	<u>-</u>	<u>(14,577)</u>	<u>-</u>	<u>-</u>	<u>18,277</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	21,170
Transfers out	-	-	-	-	-	-	(20,388)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(19,192)</u>	<u>(2,693)</u>	<u>-</u>	<u>(14,577)</u>	<u>-</u>	<u>-</u>	<u>19,059</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (2,693)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,272</u>

KIPP INDIANPOLIS COLLEGE PREPARATORY  
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>Ending Balance</u>
Capital assets, not being depreciated:	
Buildings	\$ 393,544
Improvements other than buildings	104,754
Machinery and equipment	<u>168,773</u>
 Total other capital assets	 <u><u>\$ 667,071</u></u>

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Notes and loans payable	\$ <u>1,594,579</u>	\$ <u>98,813</u>	General

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS

***INDIANA SPECIAL EDUCATION CHARTER COOPERATIVE (ISECC)***

During 2009-2010, Indiana Department of Education (IDOE) awarded Special Education Cluster grants to KIPP Indianapolis College Preparatory (KIPP) in the amount of \$41,692 which was administered by Indiana Special Education Charter Cooperative (ISECC). The School Corporation entered into a joint services agreement with ISECC to provide special education related services. We identified several concerns with the agreement.

The agreement states:

". . . this Agreement is authorized by Indiana Code 20-35-5 and shall be operated pursuant thereto." However, Indiana Code 20-35-5 does not authorize this type of agreement between a not for profit organization and a school corporation. This type of agreement is only allowable between two or more participating school corporations.

According to the joint services agreement, ISECC is "a service of the Institute for School Excellence, a 501(c)3 organization under Indiana law governing non-profit organizations" and designated the Institute for School Excellence as the administrator and fiscal agent of the cooperative. ISECC does not have a separate governing board and relies on the governing board of the Institute for School Excellence.

The joint services agreement requires that all federal funds awarded to participating schools be used for ISECC operations and flow directly to ISECC. ISECC prepares and submits Special Education Cluster grant applications to IDOE each year on behalf of all participating schools as a cooperative program. IDOE awards each school an amount based on their eligibility under one project number for the cooperative. ISECC prepares and submits draw down and reimbursement requests as one amount under the cooperative project number. However, Institute for School Excellence and ISECC are not established as school corporations and are not entitled to receive funds directly from IDOE. Therefore, the Institute for School Excellence designates a participating school corporation each year to act as the Local Education Agency (LEA) to receive the Special Education Cluster grant funds. Once the grant funds are received by the LEA, they are immediately disbursed to ISECC. ISECC disburses the grant funds and retains all supporting documentation for their records. Summarized reports are provided to participating schools and the LEA upon request. However, detailed documentation to support the disbursements of Special Education Cluster grant funds by ISECC is not made available to participating schools or the LEA. Proper internal controls were not in place at the School Corporation to ensure accountability for the federal funds awarded to them.

In 2010, KIPP withdrew from the ISECC and administered its own special education program.

Indiana Code 20-35-5-1 defines a "participating school corporation" as ". . . a local public school corporation that: (A) is established under Indiana law . . ." Indiana Code 20-35 does apply to charter schools pursuant to Indiana Code 20-24-8-5(3).

Indiana Code 20-35-5-2 states in part: "Two (2) or more participating school corporations may form a special education cooperative in accordance with the provisions of either sections 13 through 15 . . . or section 16 . . ."

Indiana Code 20-35-5-13 states:

"A special education cooperative may: (1) be attached to a participating school corporation that has responsibility for administrative and financial controls; or (2) establish a separate treasury with separate accounts. If a special education cooperative is not attached to a participating school corporation, it must comply with the state board of accounts' approved forms and rules for fiscal accountability and is subject to audit by the state board of accounts."

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-35-5-14 states in part: ". . . The board of managers consists of one (1) designated member from each participating school corporation . . ."

Indiana Code 20-35-5-15 states: "Meetings of the board of managers shall be held in accordance with IC 20-26-4-3."

Indiana Code 20-35-5-16 states: "The special education cooperative may be organized in accordance with IC 20-26-10 or IC 36-1-7."

**SUPPORTING DOCUMENTATION**

During our review of claims, we identified two issues:

1. One claim selected for review could not be located. The amount of the disbursement was \$212. Based on review of the description on the check this disbursement was for supplies; however, no claim or supporting documentation was presented to substantiate the payment.
2. One payment was a reimbursement for supplies purchased by an employee in the amount of \$199.49. The documentation with the claim contained an expense reimbursement form which did not detail each item purchased but did classify the expenditure by total supplies, advisory materials, books, and a poster. The claim did not contain adequate supporting documentation, such as actual receipts or invoices.

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)

**PENALTIES, INTEREST, AND OTHER CHARGES**

There was one late fee paid to Pitney Bowes for Postage in the amount of \$7.26.

In addition, there were two instances of finance charges paid to PNC Bank in the amount of \$16.87 on December 15, 2010, and \$33.99 on July 15, 2010, totaling \$50.86.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**SCHOOL FOOD VERIFICATIONS OF ELIGIBILITY**

In the 2009-2010 school year, verified applications were not kept with the Verification Report, so we could not verify that proper procedures were followed in the verification process.

During the 2010-2011 school year, the School Corporation test-checked the validity of information provided on the applications for free and reduced-priced meals. The results of the test-checks, which were reported to the Indiana Department of Education in accordance with 7CFR 245.6(a), are as follows:

2010-2011	
Number of approved applications	64
Number of approved applications verified	2
Method of selection	Standard

One of the two applicants verified did not respond to the verification letters sent. However, the student was not dropped from the free status to paid status.

Officials should request a written position from the Indiana Department of Education stating whether the corrective action taken was sufficient or if additional verifications need to be performed when high incidences of errors in test sample verifications are noted. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

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."

**OFFICIAL BONDS**

The following official bond was not filed in the Office of the County Recorder:

Andrea D. Turner, former Treasurer

In addition, bonds were not presented for audit for David Kogan, current Board Treasurer, and Will Pritchard, former Board Treasurer.

A similar comment appeared in the prior Report B35972.

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)

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**CREDIT CARDS**

The School Corporation used credit cards for various expenditures, but did not always follow the School Board adopted "Use of Credit Cards" (Policy No. 6423) and the applicable administrative guideline. Receipts did not always provide the required documentation for the disbursements. We reviewed five monthly billing statements and the supporting documentation. There were numerous credit card users making numerous transactions over the five months examined. The following issues were identified in the review:

<u>Noncompliance Issue</u>	<u>Number of Issues Noted</u>
No Receipts	23
Copy of records	1
Nonfood paid sales tax	8

A similar comment appeared in prior Report B35972.

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)

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***ACCOUNTS PAYABLE VOUCHER REGISTER (General Form 364)***

Two months, September 2009 and April 2010, were observed where the Board members did not sign the accounts payable voucher register. A similar comment appeared in the prior Report B35972.

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)

***AVERAGE DAILY MEMBERSHIP (ADM) - CERTIFIED CLASS LISTS***

The information presented for audit indicates enrollment figures on Form 30A, Report of Average Daily Membership (ADM) for State Support, were correct; however, enrollment documentation supporting reported ADM was not certified by the building level principal for the enrollment count dates September 18, 2009, and September 17, 2010, as required. A similar comment appeared in the prior Report B35972.

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)

***INTERNAL CONTROLS OVER RECEIPTING AND DEPOSITING AND SEGREGATION OF DUTIES***

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The School Corporation has not separated incompatible activities related to cash receipting and depositing. The failure to establish these controls could enable material misstatements to be undetected. The Director of Finance and Administration handles the daily collections, issues receipts, prepares bank deposits, takes deposit to the bank, and handles student billings and postings on accounts.

The written internal controls and accounting procedures provided by the School Corporation states that deposits are to be deposited within 48 hours of receipt. In a review of receipts, we were unable to determine the date of cash receipts since receipts were not issued to every individual from whom cash was received in the first year of the audit period. In addition, there were no alternative controls over receipting to document the detail of each individual receipt of cash for the first year of the audit period. In the second year of the audit period, the school implemented the issuance of generic prenumbered receipts at the time of the receipt of cash as an alternative procedure.

During a review of receipts written in October 2010, 5 of 33 receipts reviewed were deposited later than the next business day. A review of bank statements identified that of the 24 months in the audit period, for Non-ACH deposits, 3 months had no deposits, 7 months had 1 deposit date, 7 months had 2 deposit dates, and 7 months had 3 deposit dates.

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

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 . . ."

**OVERPAYMENT OF PAYROLL**

One employee was overpaid in the 2010-2011 school year by \$969.30. This overpayment was identified prior to the audit by the School Corporation and is currently being withheld during the current 2011-2012 school year.

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)

**INTERNAL CONTROLS OVER PAY RATES**

Offers to employees are signed only by the School Leader and the Employee without the signature of a board member representative. There was no other form of documentation presented for audit which documented the board's approval of the rate of pay, such as contracts.

Additionally, sufficient documentation was not available to support changes to the rate of pay that occurred during the audit period. One employee agreed to a decrease in hours worked and a decrease in pay, however, the only documentation to support the change in the rate of pay was a payroll change memo to the bookkeeping firm. In addition, one employee appeared to have a pay offer for the 08/09 year that overlapped with the pay offer for the 09/10 year making it difficult to determine the approved rate for the overlapping period.

Lastly, some employees are paid hourly rates for homebound education. There is no documentation of board approval of the hourly rates paid to these employees.

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)

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

***LAWSUIT AGAINST INFORMATION TECHNOLOGY CONTRACTOR***

On February 22, 2011, KIPP Indianapolis, Inc., the school organizer for KIPP Indianapolis College Preparatory, filed a lawsuit against ION360, Inc., and Dmitri Snowden, ION 360's president and sole owner ("Defendants"), for damages in the amount of no less than \$45,796.20. On July 1, 2009, KIPP Indianapolis, Inc., signed a contract with "ION360, LLC" to perform various information technology services for the School for a flat monthly fee of \$2,000. In the lawsuit, among other things, the School claims: (1) the Defendants did not perform the agreed-upon services; (2) the Defendants sold the School unlicensed or non-functional products; and (3) the Defendants sold equipment to the School that cannot be located on the School premises by the School. Defendants have denied any liability. As of the date of this report, the lawsuit remains pending and has not been resolved.

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 KIPP INDIANAPOLIS COLLEGE  
PREPARATORY, MARION COUNTY, INDIANA

Compliance

We have audited the compliance of the KIPP Indianapolis College Preparatory (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 its major federal program for the years ended June 30, 2010 and 2011. The School Corporation's major federal program is 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 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 its major federal program for the years ended June 30, 2010 and 2011.

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 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.

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)

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.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

February 8, 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.

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program				
	10.553	FY 2009-2010	\$ 33,908	\$ -
		FY 2010-2011	-	51,113
Total for program			<u>33,908</u>	<u>51,113</u>
National School Lunch Program				
	10.555	FY 2009-2010	46,883	-
		FY 2010-2011	-	101,857
Total for program			<u>46,883</u>	<u>101,857</u>
Total for federal grantor agency			<u>80,791</u>	<u>152,970</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies				
	84.010	09-9400	5,128	-
		10-9400	172,839	19,465
		11-9400	-	143,317
Total for program			<u>177,967</u>	<u>162,782</u>
ARRA - Title I Grants to Local Educational Agencies, Recovery Act				
	84.389	ARRA	142,423	31,759
Total for cluster			<u>320,390</u>	<u>194,541</u>
Special Education Cluster				
Special Education - Grants to States				
	84.027	10-9400	-	35,633
ARRA - Special Education - Grants To States (IDEA Part B), Recovery Act				
	84.391	ARRA	-	30,000
Total for cluster			<u>-</u>	<u>65,633</u>
School Improvement Grants Cluster				
ARRA - School Improvement Grants, Recovery Act				
	84.388	ARRA	-	1,931
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act				
	84.394	09-9400	49,751	-
Safe and Drug-Free Schools and Communities - State Grants				
	84.186	10-9400	8,240	-
Charter Schools				
	84.282	10-9400	-	16,100
Improving Teacher Quality State Grants				
	84.367	10-9400	36,494	39,832
ARRA - Education Jobs Fund, Recovery Act				
	84.410	10-9400	-	56,735
Total for federal grantor agency			<u>414,875</u>	<u>374,772</u>
Total federal awards expended			<u>\$ 495,666</u>	<u>\$ 527,742</u>

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

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
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 KIPP Indianapolis College Preparatory (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.



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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Finding Number 2009-1

#### INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Original SBA Audit Report Number:	B35972
Fiscal Year	2008 and 2009
Auditee Contact Person	Brenda Albright
Title of Contact Person	Director of Finance and Administration
Phone Number	317-637-9780

#### Status of Finding:

During the 2010-2011 school year, the Board Treasurer worked with the School Leader and Director of Finance and Administration (DFA) to create an internal controls documents. The document was reviewed and approved by the Board's Finance Committee and adopted for use during the 10-11 school year.

The DFA completes periodic reviews of current practices and processes to ensure the internal controls are followed. Following these reviews, the DFA reports to the Finance Committee and Board Chair regarding the outcomes of the review and any suggestions for future updates, if needed.

Each month, prior to the Finance Committee meeting, financial documents are provided by the Accountant, Bookkeeping Plus (BPI). The DFA reviews the documents and follows up with BPI if there are questions. The documents are provided to the Finance Committee prior to the monthly meeting and are reviewed at the monthly meeting. The Board approves all budgets, amendments and the monthly expenditures registers each month.

The DFA works closely with BPI to ensure appropriate document is submitted for expenditures and to maintain compliance for all grant related expenditures. The DFA has frequent meetings with BPI's Charter School Manager to review cash flows, budgets and grant budgets. Vouchers are submitted, at a minimum, on a weekly basis to BPI to ensure payments are processed timely and adequate documentation is provided in a timely manner. Checks returned to the school from BPI are signed and mailed to vendors within 24 hours.

The use of petty cash has been significantly restricted and on the few occasions petty cash must be utilized, staff members must sign for the disbursement and are provided tracking documents and

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instructions for return of receipts and cash. The DFA secures petty cash and all documentation in a fireproof safe and access to such is limited to the DFA or School Leader in the absence of the DFA.

The use of the school credit has also been restricted and only Administration and Operations Management staff are allowed to utilize the credit card, with School Leader approval required for all purchases and a review of such purchases by the DFA to ensure they are appropriate and meet budget and compliance requirements. Credit card purchase receipts are provided to the DFA immediately after the purchase and submitted with the monthly statement and Accounts Payable Voucher.

## **Finding Number 2009-2**

### **CHILD NUTRITION CLUSTER OVERCLAIMING REIMBURSEMENT**

Original SBA Audit Report Number:	B35972
Fiscal Year	2008 and 2009
Auditee Contact Person	Brenda Albright
Title of Contact Person	Director of Finance and Administration
Phone Number	317-637-9780

#### **Status of Finding:**

All lunch counts have been taken at Point of Service during the 2010-2011 and 2011-2012 school years. For 2010-2011, PowerLunch (a component of PowerSchool) was used. The new SIS, Harmony, is being used for the 2011-2012 School year. The SIS records the students' eligibility status as well as the entry of meals served. Reports from both systems generate the Edit Check data and data used for monthly claims submittal.

During both school years noted above, snack counts have been taken at point of service to students. All records of snack counts served are kept on file with documentation for the monthly claim.

The school completed the repayment of the overpayment of \$6436.76 during the 2010-2011 school year.

## **Finding Number 2009-3**

### **CHILD NUTRITION CLUSTER ELIGIBILITY STATUS VERIFICATION**

Original SBA Audit Report Number:	B35972
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Fiscal Year 2008 and 2009

Auditee Contact Person Brenda Albright

Title of Contact Person Director of Finance and Administration

Phone Number 317-637-9780

Status of Finding:

1. Acceptable documentation has been required for any responses to verification notices during the 2010-11 and 2011-12 school years.
2. The verification process was started on time and tracked throughout the process to ensure it was completed on time.
3. Proper procedures were followed – although one error was noted in the action taken for non-response from one family for 2010-11 verification. This has been noted by the Director of Finance and Administration. During the 2011-12 verification process, an incorrect change in eligibility status was made following a non-response. The DFA has sent correspondence to the parent to correct the error and revised claims are being filed with DOE to correct the error in the claims between the time the incorrect status change took effect and the date the error was discovered.
4. The proper number of applications was verified each of the two years noted above and the DFA ensured acceptable documentation was submitted.
5. All documentation for the verification efforts has been maintained in the office of the DFA and filed with the meal program files for the school year.
6. The school completed the Direct Certification multiple times for the 2010-11 school year and 2011-12 school year. Electronic copies of the Direct Certification files are maintained and eligibility notification letters are sent to parents upon completion of the DC process.

A list of students who qualify via DC is maintained and during enrollment, only those students who not direct certified are provided free/reduced meal applications.

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**Finding Number 2009-4**

**TITLE I CLUSTER ALLOWABLE COSTS/COST PRINCIPLES**

Original SBA Audit Report Number:	B35972
Fiscal Year	2008 and 2009
Auditee Contact Person	Brenda Albright
Title of Contact Person	Director of Finance and Administration
Phone Number	317-637-9780

**Status of Finding:**

The Title I grant budget is created and approved as a part of the school's annual budget. Grant budgets are reviewed by the Director of Finance and Administration, School Leader and contracted accounting service personnel before review and approval by the Board to ensure all budgeted items are allowable under the grants

Spending is in compliance with "supplement not supplant" and any changes to the grant budget are documented through application amendments.

The DFA ensures receipts are provided as required for all expenditures. The contracted accounting services reviews receipts to ensure all expenditures are properly documented. The accounting services continues to monitor grant expenditure closely and provide reports to School Administrators to track spending. The KIPP Board of Directors reviews all expenditures monthly.

If there are any questions regarding the eligibility of expenditures, the DFA confirms with the Department of Education prior to the use of funds.

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## Finding Number 2009-5

### TITLE I CLUSTER SUPPLEMENT NOT SUPPLANT

Original SBA Audit Report Number:	B35972
Fiscal Year	2008 and 2009
Auditee Contact Person	Brenda Albright
Title of Contact Person	Director of Finance and Administration
Phone Number	317-637-9780

#### Status of Finding:

During the 2010-11 school year, Title I funds were not used for Saturday School or transportation.

Title I funds were used for 20% of teachers teaching ELA, Math and Writing classes as additional instructional time is provided to students for these subjects.

## Finding Number 2009-6

### TITLE I CLUSTER HIGHLY QUALIFIED TEACHERS

Original SBA Audit Report Number:	B35972
Fiscal Year	2008 and 2009
Auditee Contact Person	Brenda Albright
Title of Contact Person	Director of Finance and Administration
Phone Number	317-637-9780

#### Status of Finding:

KIPP has set aside both Title I and Title II A funds to assist staff in meeting the requirements to become Highly Qualified. Right to know letters have been mailed to parents and copies are on file at the school.

Teachers employed at KIPP are properly licensed, enrolled in transition to teaching programs or are in the process of completing steps to become highly qualified with funding assistance from the school.

KIPP INDIANAPOLIS COLLEGE PREPARATORY  
EXIT CONFERENCE

The contents of this report were discussed on February 8, 2012, with David R. Kogan, Chairman of the Board of Finance; David O. Mann, Chairman of the Board of Directors; Emily R. Pelino, Treasurer/Superintendent of Schools/School Leader; and Brenda Albright, Director of Finance and Administration.