B40252

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
LAKE COUNTY, INDIANA

July 1, 2009 to June 30, 2011

FILED
03/27/2012

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Financial Statement:	
Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to the Financial Statement	10-14
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-21
Audit Results and Comments:	
Records Not Presented For Audit	22
Internal Controls	22
Payment of Claims	22
Supplemental Audit of Federal Awards:	
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	24-25
Schedule of Expenditures of Federal Awards	28
Note to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30-33
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	34-35
Corrective Action Plan	36-37
Exit Conference	38
Official Response	39

SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Soenda Howell	07-01-09 to 07-20-09
	Makiyah Moody	07-20-09 to 06-30-10
	Michael Salmonowicz	07-01-10 to 06-30-11
	Vito Bianco	07-01-11 to 06-30-12
School Leader	Soenda Howell	07-01-09 to 06-30-11
	Michelle Hassan	07-01-11 to 06-30-12
President of the Board of Directors	Marty Dezelan	07-01-09 to 09-20-10
	Michael Suggs	09-20-10 to 06-30-12

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE KIPP LEAD COLLEGE
PREP CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the accompanying financial statement of the Kipp Lead College Prep Charter School (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 this 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 March 22, 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 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 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, Board of Directors, 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

March 22, 2012

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 LEAD COLLEGE
PREP CHARTER SCHOOL, LAKE COUNTY, INDIANA

We have audited the financial statement of the Kipp Lead College Prep Charter School (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated March 22, 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, Board of Directors, 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

March 22, 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.

(This page intentionally left blank.)

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
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	$ 7,418	$ 3,005,200	$ 2,842,578	$ -	$ 170,040	$ 3,287,366	$ 3,216,851	$ -	$ 240,555
School Lunch	-	194,961	194,961	-	-	175,064	175,064	-	-
Textbook Rental	-	408	408	-	-	3,489	3,489	-	-
Walton Grant	36	-	36	-	-	250,001	153,983	-	96,018
KIPP Foundation Regional Capac	37,500	-	18,750	-	18,750	-	18,750	-	-
Aim High Grant	-	8,800	2,370	-	6,430	-	7,581	-	(1,151)
Unrestricted Contributions	-	211,927	171,774	-	40,153	83,582	116,925	-	6,810
School Technology	-	-	-	-	-	1,154	1,154	-	-
Title I - 08/09	35,688	-	11,742	(23,946)	-	-	-	-	-
Title I - 09/10	-	298,428	236,796	23,946	85,578	-	54,051	(31,527)	-
Title I - 10/11	-	-	-	-	-	223,121	265,788	31,527	(11,140)
IDEA	-	-	-	-	-	26,678	26,678	-	-
Special Education - 10/11	-	-	-	-	-	62,579	63,316	-	(737)
Improving Teaching Quality, No Child Left, Title II, Part A	14,810	-	12,989	-	1,821	-	14,861	-	(13,040)
Title II - 10/11	-	-	-	-	-	-	8,302	-	(8,302)
Public Charter School ESEA Title X, Part C	32,398	-	32,398	-	-	-	-	-	-
Facilities Grant	-	-	-	-	-	217,840	183,472	-	34,368
Fiscal Stabilization - Education	-	58,345	58,345	-	-	-	-	-	-
Title I - Grants to LEAs	-	139,001	76,216	-	62,785	1	56,734	-	6,052
Special Education - Part B	-	26,133	-	-	26,133	14,070	40,203	-	-
Education Technology	-	40,735	40,667	-	68	-	-	-	68
Totals	$ 127,850	$ 3,983,938	$ 3,700,030	$ -	$ 411,758	$ 4,344,945	$ 4,407,202	$ -	$ 349,501

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

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 prior to the receipt of revenue from taxes levied for that purpose. These loans, sometimes designated tax anticipation warrants, must be repaid from the next semiannual distribution of local property taxes levied for such fund.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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, 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.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

Interfund loans which include money temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

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, 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. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the School Corporation in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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 settlement. 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 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

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 LEAD COLLEGE PREP CHARTER SCHOOL
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	Walton Grant	KIPP Foundation Regional Capac	Aim High Grant	Unrestricted Contributions	School Technology
Cash and investments - beginning	$ 7,418	$ -	$ -	$ 36	$ 37,500	$ -	$ -	$ -
Receipts:								
Local sources	249,939	-	-	-	-	8,800	211,927	-
State sources	2,142,917	321	408	-	-	-	-	-
Federal sources	-	194,640	-	-	-	-	-	-
Temporary loans	471,123	-	-	-	-	-	-	-
Other	141,221	-	-	-	-	-	-	-
Total receipts	3,005,200	194,961	408	-	-	8,800	211,927	-
Disbursements:								
Current:								
Instruction	1,572,909	-	408	-	-	2,320	7,689	-
Support services	655,334	-	-	36	18,750	50	136,169	-
Noninstructional services	137,654	194,961	-	-	-	-	6,889	-
Facilities acquisition and construction	109,004	-	-	-	-	-	21,027	-
Debt services	230,527	-	-	-	-	-	-	-
Nonprogrammed charges	137,150	-	-	-	-	-	-	-
Total disbursements	2,842,578	194,961	408	36	18,750	2,370	171,774	-
Excess (deficiency) of receipts over disbursements	162,622	-	-	(36)	(18,750)	6,430	40,153	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	162,622	-	-	(36)	(18,750)	6,430	40,153	-
Cash and investments - ending	$ 170,040	$ -	$ -	$ -	$ 18,750	$ 6,430	$ 40,153	$ -

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
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 - 08/09	Title I - 09/10	Title I - 10/11	IDEA	Special Education - 10/11	Improving Teaching Quality, No Child Left, Title II, Part A	Title II - 10/11
Cash and investments - beginning	$ 35,688	$ -	$ -	$ -	$ -	$ 14,810	$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	298,428	-	-	-	-	-
Temporary loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	298,428	-	-	-	-	-
Disbursements:							
Current:							
Instruction	11,742	140,832	-	-	-	-	-
Support services	-	80,964	-	-	-	12,989	-
Noninstructional services	-	-	-	-	-	-	-
Facilities acquisition and construction	-	15,000	-	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Total disbursements	11,742	236,796	-	-	-	12,989	-
Excess (deficiency) of receipts over disbursements	(11,742)	61,632	-	-	-	(12,989)	-
Other financing sources (uses):							
Transfers in	-	23,946	-	-	-	-	-
Transfers out	(23,946)	-	-	-	-	-	-
Total other financing sources (uses)	(23,946)	23,946	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(35,688)	85,578	-	-	-	(12,989)	-
Cash and investments - ending	$ -	$ 85,578	$ -	$ -	$ -	$ 1,821	$ -

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

	Public Charter School ESEA Title X, Part C	Facilities Grant	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Education Technology	Totals
Cash and investments - beginning	$ 32,398	$ -	$ -	$ -	$ -	$ -	$ 127,850
Receipts:							
Local sources	-	-	-	-	-	-	470,666
State sources	-	-	-	-	-	-	2,143,646
Federal sources	-	-	58,345	139,001	26,133	40,735	757,282
Temporary loans	-	-	-	-	-	-	471,123
Other	-	-	-	-	-	-	141,221
Total receipts	-	-	58,345	139,001	26,133	40,735	3,983,938
Disbursements:							
Current:							
Instruction	10,065	-	6,834	900	-	6,630	1,760,329
Support services	11,485	-	44,116	-	-	16,674	976,567
Noninstructional services	-	-	-	-	-	-	339,504
Facilities acquisition and construction	10,848	-	7,395	75,316	-	17,363	255,953
Debt services	-	-	-	-	-	-	230,527
Nonprogrammed charges	-	-	-	-	-	-	137,150
Total disbursements	32,398	-	58,345	76,216	-	40,667	3,700,030
Excess (deficiency) of receipts over disbursements	(32,398)	-	-	62,785	26,133	68	283,908
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	23,946
Transfers out	-	-	-	-	-	-	(23,946)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,398)	-	-	62,785	26,133	68	283,908
Cash and investments - ending	$ -	$ -	$ -	$ 62,785	$ 26,133	$ 68	$ 411,758

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
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	Walton Grant	KIPP Foundation Regional Capac	Aim High Grant	Unrestricted Contributions	School Technology
Cash and investments - beginning	$ 170,040	$ -	$ -	$ -	$ 18,750	$ 6,430	$ 40,153	$ -
Receipts:								
Local sources	12,373	-	-	250,001	-	-	83,582	-
Federal sources	2,830,300	697	3,489	-	-	-	-	1,154
Temporary loans	-	174,367	-	-	-	-	-	-
Interfund loans	315,172	-	-	-	-	-	-	-
Other	129,521	-	-	-	-	-	-	-
Total receipts	3,287,366	175,064	3,489	250,001	-	-	83,582	1,154
Disbursements:								
Current:								
Instruction	2,107,706	-	3,489	25,622	-	-	6,025	-
Support services	808,993	-	-	107,020	18,750	2,635	98,893	1,154
Noninstructional services	132,219	175,064	-	-	-	-	3,584	-
Facilities acquisition and construction	-	-	-	21,341	-	4,946	8,423	-
Debt services	44,205	-	-	-	-	-	-	-
Nonprogrammed charges	123,728	-	-	-	-	-	-	-
Interfund loans								
Total disbursements	3,216,851	175,064	3,489	153,983	18,750	7,581	116,925	1,154
Excess (deficiency) of receipts over disbursements	70,515	-	-	96,018	(18,750)	(7,581)	(33,343)	-
Other financing sources (uses):	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	70,515	-	-	96,018	(18,750)	(7,581)	(33,343)	-
Cash and investments - ending	$ 240,555	$ -	$ -	$ 96,018	$ -	$ (1,151)	$ 6,810	$ -

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

	Title I - 08/09	Title I - 09/10	Title I - 10/11	IDEA	Special Education - 10/11	Improving Teaching Quality, No Child Left, Title II, Part A	Title II - 10/11
Cash and investments - beginning	$ -	$ 85,578	$ -	$ -	$ -	$ 1,821	$ -
Receipts:							
Local sources	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-
Temporary loans	-	-	223,121	26,678	62,579	-	-
Interfund loans	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total receipts	-	-	223,121	26,678	62,579	-	-
Disbursements:							
Current:							
Instruction	-	36,732	163,697	26,678	43,768	6,882	2,832
Support services	-	12,089	71,863	-	19,548	7,979	5,470
Noninstructional services	-	730	-	-	-	-	-
Facilities acquisition and construction	-	4,500	30,228	-	-	-	-
Debt services	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans							
Total disbursements	-	54,051	265,788	26,678	63,316	14,861	8,302
Excess (deficiency) of receipts over disbursements	-	(54,051)	(42,667)	-	(737)	(14,861)	(8,302)
Other financing sources (uses):	-	-	31,527	-	-	-	-
Transfers in	-	(31,527)	-	-	-	-	-
Transfers out							
Total other financing sources (uses)	-	(31,527)	31,527	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(85,578)	(11,140)	-	(737)	(14,861)	(8,302)
Cash and investments - ending	$ -	$ -	$ (11,140)	$ -	$ (737)	$ (13,040)	$ (8,302)

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

	Public Charter School ESEA Title X, Part C	Facilities Grant	Fiscal Stabilization - Education	Title I - Grants to LEAs	Special Education - Part B	Education Technology	Totals
Cash and investments - beginning	$ -	$ -	$ -	$ 62,785	$ 26,133	$ 68	$ 411,758
Receipts:							
Local sources	-	-	-	1	-	-	345,957
Federal sources	-	-	-	-	-	-	2,835,640
Temporary loans	-	217,840	-	-	14,070	-	718,655
Interfund loans	-	-	-	-	-	-	315,172
Other	-	-	-	-	-	-	129,521
Total receipts	-	217,840	-	1	14,070	-	4,344,945
Disbursements:							
Current:							
Instruction	-	-	-	42,502	40,203	-	2,506,136
Support services	-	1,274	-	-	-	-	1,155,668
Noninstructional services	-	-	-	948	-	-	312,545
Facilities acquisition and construction	-	182,198	-	13,284	-	-	264,920
Debt services	-	-	-	-	-	-	44,205
Nonprogrammed charges	-	-	-	-	-	-	123,728
Interfund loans							
Total disbursements	-	183,472	-	56,734	40,203	-	4,407,202
Excess (deficiency) of receipts over disbursements	-	34,368	-	(56,733)	(26,133)	-	(62,257)
Other financing sources (uses):	-	-	-	-	-	-	31,527
Transfers in	-	-	-	-	-	-	(31,527)
Transfers out							
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	34,368	-	(56,733)	(26,133)	-	(62,257)
Cash and investments - ending	$ -	$ 34,368	$ -	$ 6,052	$ -	$ 68	$ 349,501

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
AUDIT RESULTS AND COMMENTS

RECORDS NOT PRESENTED FOR AUDIT

Original receipt books, used for collections made at the School Corporation, were not presented for audit. This made it impossible to determine if receipt numbers were skipped intentionally or unintentionally.

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

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

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. In many instances, transactions were recorded as general fund expenditures, but were later reclassified to various federal grants. These reclassifications made it difficult to verify the allowability of expenditures of federal funds.

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)

PAYMENT OF CLAIMS

The Board of Directors did not review and approve claims prior to payment.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: School corporations 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 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 board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 LEAD COLLEGE PREP CHARTER SCHOOL, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the Kipp Lead College Prep Charter School (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.

Except as discussed in the following paragraph, 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.

As described in items 2011-1 and 2011-2 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management and Reporting that are applicable to its Title I, Part A Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs 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.

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 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, Board of Directors, 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

March 22, 2012

(This page intentionally left blank.)

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 LEAD COLLEGE PREP CHARTER SCHOOL
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		$ 76,073	$ 58,639
National School Lunch Program	10.555		115,040	115,728
Total for cluster			191,113	174,367
Child and Adult Care Food Program	10.558	After School Snack	3,527	-
Total for federal grantor agency			194,640	174,367
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	09-9635	11,742	-
		10-9635	236,796	54,051
		11-9635	-	265,787
Total for program			248,538	319,838
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-9635	76,216	56,734
Total for cluster			324,754	376,572
Special Education Cluster				
Special Education - Grants to States (IDEA, Part B)	84.027		-	70,448
ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391		-	40,203
Total for cluster			-	110,651
Educational Technology State Grants Cluster				
ARRA - Educational Technology - State Grants, Recovery Act	84.386			
Enhancing Education Through Technology			40,735	-
State Fiscal Stabilization Fund Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		58,346	-
Charter Schools	84.282			
Implementation Year 2			32,398	-
Dissemination Activities			-	183,472
Total for program			32,398	183,472
Improving Teacher Quality State Grants	84.367	09-9635	12,989	14,861
		10-9635	-	8,302
Total for program			12,989	23,163
Total for federal grantor agency			469,222	693,858
Total federal awards expended			$ 663,862	$ 868,225

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

KIPP LEAD COLLEGE PREP
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 Lead College Prep (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.

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
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 deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	
Unqualified for:	
Child Nutrition Cluster	
Special Education Cluster	
Qualified for:	
Title I, Part A Cluster	
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
Special Education 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 - CASH MANAGEMENT CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies (Title I), ARRA - Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I)
CFDA Numbers: 84.010, 84.389
Pass-Through Entity: Indiana Department of Education
Program Numbers: 10-6560 (SY 2009-10), ARRA Title I (SY 2009-10)

The Indiana Department of Education (IDOE) administered the Title I Grants programs for FY 2009-2010 as advance drawdown grants, whereby school corporations were to request funds in advance of needs.

When the Title I programs were administered as advance drawdowns, as part of the application for Title I funds, school corporations were required to assess needs and develop a drawdown request of Title I funds to cover cash needs for the entire grant period. The drawdown amounts were listed by month, and had to total the grant award.

After the drawdown request was completed for the grant program year, it was the responsibility of the accounting company, contracted by the School Corporation, to monitor the grant cash balances, and prepare all required monitoring reports. The School Corporation did not have controls in place for any other individual to review the reports prior to submission to the IDOE.

The IDOE required the School Corporation to prepare quarterly reports in an attempt to monitor cash balances and grant activities. The quarterly reports disclosed grant receipts, disbursements, and cash balances. This report also allowed the School Corporation to modify subsequent drawdowns. For Title I grants, it was necessary for the School Corporation to modify their drawdown requests as this grant did have excess cash; however, no attempts were made by the School Corporation to reduce a subsequent drawdown.

For the 2009-2010, ARRA Title I program cash balances held also exceeded immediate need during the entire program period. For the ARRA Title I, a cash drawdown request could not be located for audit. Funds were distributed to the School Corporation by the IDOE in November and December 2009. The drawdowns totaled $139,001. Funds were not spent until February and March 2010 which only exhausted about one-half of the cash balance on hand. The cash balance as of June 2010 was $62,811.78. None of this cash was spent until March and May 2011.

34 CFR § 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards: . . .

(7) Cash management. 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."

34 CFR § 80.21 states in part:

"(a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors. (b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205."

We recommended officials follow the new guidelines established by the IDOE, requiring Title I funds to be reimbursed after the funds have been properly spent. Officials should establish controls to ensure cash balances are reviewed, monitored and considered prior to submitting claims for reimbursement.

FINDING 2011-2 - CONTROLS AND COMPLIANCE RELATED TO REPORTING

Federal Agency: U.S. Department of Education
Pass Through Agencies: Indiana Department of Education
Federal Programs: Title I Grants to Local Educational Agencies (Title I)
CFDA Numbers: 84.010
Program Numbers: 09-9635 (SY 2008-09), 10-9635 (SY 2009-10), 11-9635(SY 2010-11)

Controls:

Controls have not been established to verify that required reports are submitted timely and accurately by the School Corporation.

After the accounting company prepared the reports, they were submitted to the respective pass-through agency without being reviewed by the Superintendent, or the Program Administrator, or Treasurer who are responsible for grant oversight for these programs.

Compliance:

Under guidelines provided by the Indiana Department of Education, which are used as a tool to monitor their subrecipients (Kipp Lead College Prep is a subrecipient), the School Corporation is required to prepare reports disclosing the financial activities of their Title I Grants. The quarterly financial activity reported for the December 31, 2011, March 31, 2012, and June 30, 2012, were not reflective of the financial activity recorded in the financial records of the School Corporation. In December, disbursements were over reported by $59,307.09 thus, cash balance was under reported by the same amount. In March, disbursements were under reported by $17,254.23, thus the cash balance was over reported by the same amount. In June, the receipts and disbursements were under reported by $41,093.11 and $8,137.41, respectively. Because of the under reporting of the receipts and disbursements, the cash balance was also under reported by $32,955.70.

34 CFR §80.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

We recommended that the School Corporation establish controls for the review of financial reports by another individual who is familiar with the accounting records and reporting requirements of the Indiana Department of Education. Also, the School Corporation should make sure all required reports are submitted as required by the Indiana Department of Education.

The American Quality Schools Corporation
850 W. Jackson Boulevard • Suite 275 • Chicago, IL 60607
(312) 226-3355 • Fax (312) 226-1027

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2009-1 Cash Management

Original SBA Audit Report Number:	B35868
Fiscal Year:	July 1, 2007 to July 1, 2009
Auditee Contact Person:	Aaron Hull
Title of Contact Person:	Director of Finance
Phone Number:	312-226-3355

Status of Finding:

The School Board for Lead Charter School has selected a new EMO (AQS) starting with the FY12 school year.

AQS policy, along with their book keeping company (BPI) expense grants on a monthly basis. Each month as grants are expensed, funds are requested for reimbursement. Thus funds are no longer requested unless they have already been expensed.

A Hull
3-15-12

The American Quality Schools Corporation
850 W. Jackson Boulevard • Suite 275 • Chicago, IL 60607
(312) 226-3355 • Fax (312) 226-1027

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2009-2 Reporting

Original SBA Audit Report Number:	B35868
Fiscal Year:	July 1, 2007 to July 1, 2009
Auditee Contact Person:	Aaron Hull
Title of Contact Person:	Director of Finance
Phone Number:	312-226-3355

Status of Finding:

The School Board for Lead Charter School has selected a new EMO (AQS) starting with the FY12 school year.

AQS policy is to keep all financial records for a minimum of 7 years. This includes grant documentation and reimbursement requests.

A Hull
3-15-12

The American Quality Schools Corporation
850 W. Jackson Boulevard • Suite 275 • Chicago, IL 60607
(312) 226-3355 • Fax (312) 226-1027

CORRECTIVE ACTION PLAN

Section III – Federal Awards Findings and Questioned Costs

FINDING 2011-1 – CASH MANAGEMENT CONTROLS AND COMPLIANCE

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies (Title I), ARRA Title I Grants to Local Educational Agencies, Recovery Act (ARRA Title I)
CFDA Numbers: 84.010, 84.389
Pass-Through Entity: Indiana Department of Education
Program Numbers: 10-9635 (SY 2009-10), ARRA Title I (SY 2009-10)
Auditee Contact Person:
Title of Contact Person:
Phone Number:

Briefly describe action to be taken to correct finding.

Title 1 Funds are no longer drawn down in advance. On a monthly basis, as expenses are incurred, a reimbursement is requested. Thus, it is not possible to gain funds until after a corresponding expense is made.

On behalf of Lead, Book Keeping Plus makes the grant reimbursement requests. These requests are now reviewed by accounting staff at AQS to insure accuracy and that all expenses are accounted for.

Signed _____

Date 3-20-12

(Note – Please use this format on a separate page, for EACH Finding.)

The American Quality Schools Corporation
850 W. Jackson Boulevard • Suite 275 • Chicago, IL 60607
(312) 226-3355 • Fax (312) 226-1027

FINDING 2011-2 – CONTROLS ON COMPLIANCE RELATED TO REPORTING

Federal Agency: U.S. Department of Education
Pass Through Agencies: Indiana Department of Education
Federal Programs: Title I Grants to Local Educational Agencies (Title I)
CFDA Numbers: 84.010
Program Numbers: 09-9635 (SY 2008-09), 10-9635 (SY 2009-10), 11-9635(SY 2010-11)
Auditee Contact Person:
Title of Contact Person:
Phone Number:

Briefly describe action to be taken to correct finding.

On behalf of Lead, Book Keeping Plus prepares financial related reports to INDOE. These reports are now checked and submitted by AQS to insure accuracy.

Signed _____

Date 3-30-12

(Note – Please use this format on a separate page, for EACH Finding.)

KIPP LEAD COLLEGE PREP CHARTER SCHOOL
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2012, with Aaron Hull, Director of Finances; Vito Bianco, Treasurer; Michelle Hassan, School Leader; and Michael Suggs, President of the Board of Directors. The Official Response has been made a part of this report and may be found on page 39.

Reponses to:

KIPP LEAD COLLEGE PREP CHARTER SCHOOL

AUDIT RESULTS AND COMMENTS

RECORDS NOT PRESENTED FOR AUDIT

Kipp Lead, now Lead College Prep is under new management beginning in FY12 by American Quality Schools (AQS). AQS is aware of this finding and will insure future records, including receipt books are kept for Audits.

INTERNAL CONTROLS

Lead's financials are kept by Book Keeping Plus (BPI). BPI prepares all financials and grant documents/reimbursements with oversight from AQS. AQS reviews all documents before submission to insure accuracy. AQS works to insure timely and accurate grant expenditures.

PAYMENT OF CLAIMS

AQS is aware of this comment and will work to insure payments are properly approved by the School Board.

Signature: _____

Date: 3-23-12