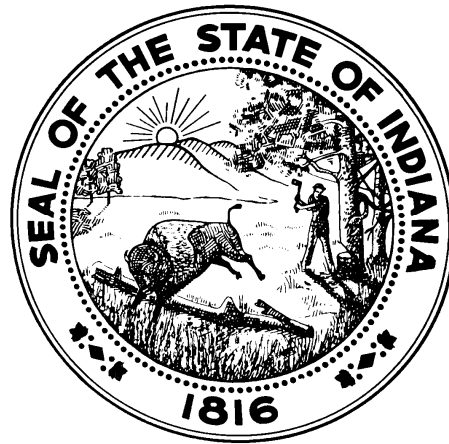


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
CHALLENGE FOUNDATION ACADEMY  
MARION COUNTY, INDIANA  
October 25, 2005 to June 30, 2007



**FILED**  
04/24/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Treasurer	Donna Birdsong Dr. Michelle Thompson	10-25-05 to 07-26-07 07-27-07 to 06-30-08
President of the School Board	Darrell E. Zink	10-25-05 to 06-30-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET  
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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CHALLENGE FOUNDATION ACADEMY, MARION COUNTY, INDIANA

We have examined the financial information presented herein of Challenge Foundation Academy (School Corporation), for the period of October 25, 2005 to June 30, 2007. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

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

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

STATE BOARD OF ACCOUNTS

January 15, 2008

CHALLENGE FOUNDATION ACADEMY  
SCHEDULE OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Period Ended June 30, 2006

<u>Functions/Programs</u>	<u>Disbursements</u>
Governmental activities:	
Support services	\$ <u>193,400</u>
General receipts:	
Other local sources	\$ 430,000
Sale of property, adjustments, and refunds	2,784
Investment earnings	<u>471</u>
Total general receipts	<u>433,255</u>
Change in net assets	239,855
Net assets - beginning	<u>-</u>
Net assets - ending	<u>\$ 239,855</u>
 <u>Assets</u>	
Cash and investments	<u>\$ 239,855</u>
 <u>Net Assets</u>	
Unrestricted	<u>\$ 239,855</u>

The notes to the financial statements are an integral part of the financial information.

CHALLENGE FOUNDATION ACADEMY  
SCHEDULE OF CASH ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For the Period Ended June 30, 2007

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts		<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
		Charges for Services	Operating Grants and Contributions	<u>Totals</u>
Governmental activities:				
Instruction	\$ 710,210	\$ -	\$ 3,014	\$ (707,196)
Support services	1,092,034	13,686	70,003	(1,008,345)
Community services	9,898	-	-	(9,898)
Nonprogrammed charges	<u>1,566</u>	<u>-</u>	<u>-</u>	<u>(1,566)</u>
Total governmental activities	<u>\$ 1,813,708</u>	<u>\$ 13,686</u>	<u>\$ 73,017</u>	<u>(1,727,005)</u>
General receipts:				
Property taxes				211,189
Other local sources				207,336
State aid				564,363
Bonds and loans				918,667
Grants and contributions not restricted to specific programs				262,630
Sale of property, adjustments, and refunds				2,742
Investment earnings				<u>8,473</u>
Total general receipts				<u>2,175,400</u>
Change in net assets				448,395
Net assets - beginning				<u>239,855</u>
Net assets - ending				<u>\$ 688,250</u>
<u>Assets</u>				
Cash and investments				<u>\$ 688,250</u>
<u>Net Assets</u>				
Unrestricted				<u>\$ 688,250</u>

The notes to the financial statements are an integral part of the financial information.

CHALLENGE FOUNDATION ACADEMY  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Period Ended June 30, 2006

	<u>General</u>	<u>Donations</u>	<u>Challenge Foundation Grant</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 471	\$ 230,000	\$ 200,000	\$ 430,471
Sale of property, adjustments and refunds	<u>2,784</u>	<u>-</u>	<u>-</u>	<u>2,784</u>
Total receipts	<u>3,255</u>	<u>230,000</u>	<u>200,000</u>	<u>433,255</u>
Disbursements:				
Current:				
Support services	<u>-</u>	<u>33,819</u>	<u>159,581</u>	<u>193,400</u>
Total disbursements	<u>-</u>	<u>33,819</u>	<u>159,581</u>	<u>193,400</u>
Excess of receipts over disbursements	3,255	196,181	40,419	239,855
Cash and investments - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,255</u>	<u>\$ 196,181</u>	<u>\$ 40,419</u>	<u>\$ 239,855</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	<u>\$ 3,255</u>	<u>\$ 196,181</u>	<u>\$ 40,419</u>	<u>\$ 239,855</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Unrestricted	<u>\$ 3,255</u>	<u>\$ 196,181</u>	<u>\$ 40,419</u>	<u>\$ 239,855</u>

The notes to the financial statements are an integral part of the financial information.



CHALLENGE FOUNDATION ACADEMY  
SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For the Period Ended June 30, 2007

	General	Donations	Challenge Foundation Grant	Title 1 FY 2006-2007	Other	Totals
<b>Receipts:</b>						
Local sources	\$ 326,998	\$ -	\$ 100,000	\$ -	\$ 13,686	\$ 440,684
State sources	567,377	-	-	-	4,124	571,501
Federal sources	-	-	-	137,630	190,879	328,509
Sale of property, adjustments and refunds	<u>2,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,742</u>
<b>Total receipts</b>	<u>897,117</u>	<u>-</u>	<u>100,000</u>	<u>137,630</u>	<u>208,689</u>	<u>1,343,436</u>
<b>Disbursements:</b>						
<b>Current:</b>						
Instruction	595,905	84,412	-	5,800	24,093	710,210
Support services	814,372	92,274	40,419	7,354	137,615	1,092,034
Community services	9,498	-	-	400	-	9,898
Nonprogrammed charges	<u>1,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,566</u>
<b>Total disbursements</b>	<u>1,421,341</u>	<u>176,686</u>	<u>40,419</u>	<u>13,554</u>	<u>161,708</u>	<u>1,813,708</u>
Excess (deficiency) of receipts over disbursements	(524,224)	(176,686)	59,581	124,076	46,981	(470,272)
<b>Other financing sources (uses):</b>						
Bonds and loans	<u>918,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>918,667</u>
Cash and investments - beginning	<u>3,255</u>	<u>196,181</u>	<u>40,419</u>	<u>-</u>	<u>-</u>	<u>239,855</u>
Cash and investments - ending	<u>\$ 397,698</u>	<u>\$ 19,495</u>	<u>\$ 100,000</u>	<u>\$ 124,076</u>	<u>\$ 46,981</u>	<u>\$ 688,250</u>
<b><u>Cash and Investment Assets - Ending</u></b>						
Cash and investments	<u>\$ 397,698</u>	<u>\$ 19,495</u>	<u>\$ 100,000</u>	<u>\$ 124,076</u>	<u>\$ 46,981</u>	<u>\$ 688,250</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>						
Unrestricted	<u>\$ 397,698</u>	<u>\$ 19,495</u>	<u>\$ 100,000</u>	<u>\$ 124,076</u>	<u>\$ 46,981</u>	<u>\$ 688,250</u>

The notes to the financial statements are an integral part of the financial information.

CHALLENGE FOUNDATION ACADEMY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Schedules

Government-Wide Financial Schedules

The Statement of Activities and Net Assets - Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Schedules

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

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The donations fund accounts for financial resources donated to the school from private entities.

The challenge foundation grant fund accounts for financial resources donated to the school from the challenge foundation.

The title 1 fund accounts for financial resources received through the federal Title 1 program.

CHALLENGE FOUNDATION ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

CHALLENGE FOUNDATION ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected. However, a delay in the approval of taxable property assessments resulted in May 2007 tax bills not being issued until November 2007. This caused a significant decrease in receipts from local sources/property taxes for the year 2006-2007.

Note 5. Deposits and Investments

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

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

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

CHALLENGE FOUNDATION ACADEMY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

Funding Policy and Annual Pension Cost

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

B. Teachers' Retirement Fund

Plan Description

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

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

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

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.

CHALLENGE FOUNDATION ACADEMY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS,  
 DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For the Period Ended June 30, 2007

	<u>School Lunch</u>	<u>Textbook Rental</u>	<u>Federal Programs</u>	<u>Totals</u>
Receipts:				
Local sources	\$ 13,437	\$ 249	\$ -	\$ 13,686
State sources	-	4,124	-	4,124
Federal sources	<u>65,879</u>	<u>-</u>	<u>125,000</u>	<u>190,879</u>
 Total receipts	 <u>79,316</u>	 <u>4,373</u>	 <u>125,000</u>	 <u>208,689</u>
Disbursements:				
Current:				
Instruction	-	249	23,844	24,093
Support services	<u>65,904</u>	<u>-</u>	<u>71,711</u>	<u>137,615</u>
 Total disbursements	 <u>65,904</u>	 <u>249</u>	 <u>95,555</u>	 <u>161,708</u>
 Excess of receipts over disbursements	 13,412	 4,124	 29,445	 46,981
 Cash and investments - beginning	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Cash and investments - ending	 <u>\$ 13,412</u>	 <u>\$ 4,124</u>	 <u>\$ 29,445</u>	 <u>\$ 46,981</u>
 <u>Cash and Investment Assets - Ending</u>				
 Cash and investments	 <u>\$ 13,412</u>	 <u>\$ 4,124</u>	 <u>\$ 29,445</u>	 <u>\$ 46,981</u>
 <u>Cash and Investment Fund Balance - Ending</u>				
 Unrestricted	 <u>\$ 13,412</u>	 <u>\$ 4,124</u>	 <u>\$ 29,445</u>	 <u>\$ 46,981</u>

CHALLENGE FOUNDATION ACADEMY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 53,485
Machinery and equipment	<u>181,300</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 234,785</u>

CHALLENGE FOUNDATION ACADEMY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 June 30, 2007

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ <u>918,667</u>	\$ <u>76,929</u>



## CHALLENGE FOUNDATION ACADEMY EXAMINATION RESULTS AND COMMENTS

### SCHOOL LUNCH REIMBURSEMENT CLAIM REPORTS

Monthly school lunch reimbursement claim reports for fiscal year 2006-2007 were not electronically filed with the Indiana Department of Education in a timely manner. The August 2006 and January 2007 reports were not electronically filed within 60 days of the month end and therefore did not qualify for reimbursement. Supporting documentation presented for May 2007 indicated that paid and free meals reported were under stated by approximately 768 and 134, respectively. The School Corporation, as a result, received less than the amount allowed.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

### SCHOOL LUNCH VERIFICATION SUMMARY REPORT

The School Food Authority Verification Summary Report was not accurate. The report indicated that 100% of the Free and Reduced Lunch applications approved were verified. Evidence presented for examination indicated that none of the applications were verified. The verification section was not completed on any of the applications presented for examination and no evidence was presented to indicate that direct certification or income verification was performed.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

### REPORT OF AVERAGE DAILY MEMBERSHIP

The Report of Average Daily Membership (ADM) was not performed or reported until November 6, 2006. The ADM count date was September 15, 2006, and the report date to Indiana Department of Education was no later than September 29, 2006.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CHALLENGE FOUNDATION ACADEMY  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CREDIT CARDS

Payments were made to Fifth Third Bank for credit card purchases that were not supported by original bills or invoices. Credit card statements presented for October 2006 through May 2007 lacked some or all supporting documentation for purchases.

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)

COMPENSATION AND BENEFITS

Payments were made to employees that were not included in the payroll system or on a salary schedule or contract. Payments were made to employees by vendor checks. Payroll taxes were not properly withheld or remitted. Payments were not reported on Internal Revenue Service Form W-2, but were reported on Internal Revenue Service Form 1099.

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)

CHALLENGE FOUNDATION ACADEMY  
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2008, with Dr. Michelle Thompson, Director/Treasurer; Lori Thompson, Bookkeeping Plus Inc.; and Bud Melton, Board Member. The official response has been made a part of this report and may be found on pages 18 and 19.



Together Each Achieves More

January 19, 2007

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

**Re: Official SBOA Audit Response**

This letter is written pursuant to the Audit Exit meeting held with Shannon Lopez on Tuesday, January 15, 2008, at the Challenge Foundation Academy. Following are the official responses relative to the findings from that audit:

#### **School Lunch Reimbursement Claim Reports**

Challenge Foundation Academy has established monthly reporting and submission dates within our master reporting calendar to ensure claims are filed appropriately and on time. The School Director meets weekly with the staff responsible for filing the lunch reimbursement claim reports and requests documentation each has been filed.

#### **School Lunch Verification Claim Reports**

The School has put in place a checklist to ensure applications for free and reduced lunch are vetted for accuracy. The staff responsible for verification of applications will check documentation used and sign off for accuracy, and ensure a reasonable random sampling.

#### **Report of Average Daily Membership**

Challenge Foundation Academy has established monthly reporting and submission dates within our master reporting calendar to ensure claims are filed appropriately and on time. The School Director meets weekly with the staff responsible for filing the lunch reimbursement claim reports and requests documentation each has been filed.

#### **Credit Cards**

Corporation and school credit cards have been cancelled. Additionally, reimbursement for any claim must provide detailed original documentation / invoices and must be within allowable funding parameters. The School Director must approve each claim, and

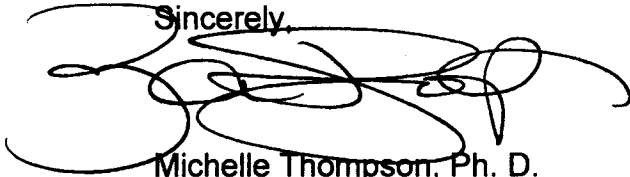
adherence to school policy for reimbursement must be met as outlined within the staff handbook.

### **Compensation and Benefits**

All employment / employee relationships are outlined within the contract for regular and/or supplemental employment, and vetted through signatures of both parties. Remuneration for work completed is made through payroll with all applicable taxes withheld. All contracts for employment are completed with the School Director and maintained within each staff personnel record. This policy was introduced in process August 2007.

Should you have need for further clarification, or have additional questions relative to these responses, please do not hesitate to contact me at 317 803 3182.

Sincerely,

A handwritten signature in black ink, appearing to be "Michelle Thompson", written over the word "Sincerely,".

Michelle Thompson, Ph. D.  
Interim Director