

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

INDIANAPOLIS PUBLIC SCHOOLS

MARION COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/15/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra Hineline	07-01-12 to 03-18-14
	Paul Carpenter-Wilson (Interim)	03-19-14 to 12-31-14
	Paul Carpenter-Wilson	01-01-15 to 07-29-15
	Weston Young	07-30-15 to 06-30-16
Superintendent of Schools	Dr. Eugene G. White	07-01-12 to 03-03-13
	Dr. Peggy Hinckley (Interim)	03-04-13 to 09-05-13
	(Vacant)	09-06-13 to 09-22-13
	Dr. Lewis D. Ferebee	09-23-13 to 06-30-16
President of the School Board	Michael D. Brown	07-01-12 to 12-31-12
	Diane Arnold	01-01-13 to 12-31-13
	Andrea Roof	01-01-14 to 12-31-14
	Diane Arnold	01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Indianapolis Public Schools (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 1, 2015

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have procedures in place to ensure the compiled information was reviewed prior to presenting to the auditors. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors on the SEFA:

- The Department of Agriculture programs including the School Breakfast Program (CFDA 10.553), National School Lunch Program (CFDA 10.555), Summer Food Service Program for Children (CFDA 10.559), and Fresh Fruit and Vegetable Program (CFDA 10.582), with expenditures totaling \$18,193,799 and \$18,491,532 for FY12-13 and FY13-14, respectively, were omitted.
- The Department of Transportation Highway Planning and Construction (CFDA 20.205) program with expenditures of \$40,263 and \$25,412 for FY12-13 and FY13-14, respectively, was omitted.
- The Title I Grants to Local Educational Agencies (CFDA 84.010) program expenditures were overstated by \$22,722 and \$657,935 for FY12-13 and FY13-14, respectively, and were not identified by individual project types.
- The Special Education_Grants to States (CFDA 84.027) program expenditures were overstated by \$178,432 and \$278,476 for FY12-13 and FY13-14, respectively. Additionally, the Improvement Award program was not separately identified and the Technical Assistant Award program was not identified by the correct project number.
- The Special Education_Preschool Grants (CFDA 84.173) program expenditures were overstated by \$31,333 for FY12-13 and understated by \$15,182 for FY13-14 and were not identified by individual project types.
- The Impact Aid grant (CFDA 84.041) program with expenditures of \$7,411 and \$7,622 for FY12-13 and FY13-14, respectively, was omitted.
- The School Improvement Grants (CFDA 84.377) program expenditures were overstated by \$7,505,675 and \$1,868,767 for FY12-13 and FY13-14, respectively.
- The ARRA - School Improvement Grants, Recovery Act (CFDA 84.388) program expenditures were understated by \$7,744,827 for FY12-13 and were overstated by \$392,997 for FY13-14.
- The Adult Education - Basic Grants to State (CFDA 84.002) program with expenditures of \$1,293,734 and \$1,002,791 for FY12-13 and FY13-14, respectively, was omitted.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

- The Career and Technical Education - Basic Grants to States (CFDA 84.048) program expenditures were overstated by \$68,865 for FY12-13 and understated by \$801,795 for FY13-14. Additionally, the CTE Technology Resource Project program was omitted.
- The McKinney-Vento Grants to Local Educational Agencies (CFDA 84.196) program expenditures were overstated by \$4,604 for FY12-13 and understated by \$5,724 for FY13-14. Additionally, the incorrect project numbers were listed for three of the four grants.
- The Carol M White Physical Education Program (CFDA 84.215) was overstated by \$32,030 for FY12-13 and understated by \$59,915 for FY13-14.
- The FIE Earmark Grant Awards (CFDA 84.215) was overstated by \$599,996. This grant was included on the SEFA presented for audit as a part of CFDA 84.125, but it is not a Federal award and should not have been presented.
- The Title III Part A Language Instruction for LEP Students (CFDA 84.365) program expenditures were overstated by \$1,862 and \$20,086 for FY12-13 and FY13-14, respectively.
- The Improving Teacher Quality State Grants (CFDA 84.367) program expenditures were understated by \$11,597 for FY 12-13 and overstated by \$82,922 for FY13-14.
- The Refugee and Entrant Assistance Targeted Assistance Grants (CFDA #93.576) program expenditures were overstated by \$315 for FY12-13 and understated by \$315 for FY13-14.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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.

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - CASH MANAGEMENT, REPORTING

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies, Special Education_Grants to States, Special Education_Preschool Grants, Improving Teacher Quality State Grants, School Improvement Grants, ARRA-School Improvement Grants, Recovery Act

CFDA Number: 84.010, 84.027 and 84.173, 84.367, 84.377 and 84.388

Federal Award Number and Year (or Other Identifying Number): 12-5385, 13-5385 and 14-8353;14211-030-PN01, 14212-030-PN01, 14213-030-PN01, 14214-030-PN01, A58-3-13DL-1448, 99914-030-TA01, 45712-030-PN01, 45713-030-PN01 and 45714-030-PN01; 10-5385, 11-5385, and 12-5385; 2011-2012.2012/2013, S377A100015 and S388A090015

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established effective internal controls over submission of the cash reimbursement request reports. The cash reimbursement request reports are submitted to the Indiana Department of Education by the School Corporation requesting reimbursement for previously incurred expense. These reports are submitted approximately every two weeks.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

During the audit period, there were 106 cash reimbursement request reports for Title I Grants to Local Educational Agencies, 139 cash reimbursement request reports for the Special Education Grants to States and Special Education Preschool Grants, 49 cash reimbursement request reports for the Improving Teacher Quality State Grants, and 39 cash reimbursement request reports for the School Improvement Grants and ARRA School Improvement Grants, Recovery Act. The grand total number of cash reimbursement requests reports submitted for the aforementioned major programs was 333.

None of the 333 cash reimbursement request reports was supported by a detail transaction history showing the precise individual disbursements transactions that comprised the grand total disbursement amount requested by the report.

The financial software in use by the School Corporation provides detail cumulative reports, but the software does not provide detail reports for the specific time frames used in the cash reimbursement request reports.

Because we were not able to identify the precise set of disbursement transactions particular to each cash reimbursement request report, we were not able to confirm the accuracy of the cash reimbursement request reports, and we were not able to confirm that the expenses were incurred prior to seeking reimbursement.

The failure to establish adequate internal controls over the cash reimbursement request reports could enable material noncompliance to go undetected. Noncompliance for the Cash Management and Reporting federal compliance requirements could result in the loss of federal funds to the School Corporation.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

34 CFR section 80.20 Standards for financial management systems 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:

- (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."

We recommended that the School Corporation establish adequate internal controls, including segregation of duties, over the cash reimbursement reports.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-003 - CASH MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

During the audit period, the School Lunch fund had excessive cash balances. For the school year ended June 30, 2013, the School Lunch fund had a cash balance of \$28,986,019 and for the school year ended June 30, 2014, the School Lunch fund had a cash balance of \$30,100,209.

The requirement is to maintain a cash balance that does not exceed the amount needed to finance three months of food service operations.

Three months' worth of food service expenditures during the 2012-2013 school year were calculated at \$4,724,600 and three months of food service expenditures during the 2013-2014 school year were calculated at \$5,043,495.

The cash balances maintained by the School Corporation were large enough to finance food service operations for well over one year.

The effect of not having effective internal controls governing excessive cash balances is for non-fulfillment of the federal Cash Management compliance requirement.

7 CFR 210.14(b) states in part: "The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service . . ."

The internal control system should be designed to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommended that the School Corporation develop internal controls and specific plans for addressing the excess cash balances in the school food service account.

INDIANAPOLIS PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - SPECIAL TESTS AND PROVISIONS: COHORT REMOVAL

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 12-5385, 13-5385, 14-5385
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to Special Tests and Provisions: Cohort Removal.

Per federal regulations, the Indiana Department of Education requires the School Corporation to track the progress of individual students toward graduation. Each student is assigned to a particular class or "cohort" based on the student's initial enrollment in ninth grade. The student stays in his or her assigned cohort unless the student meets specific criteria defined by the Indiana Department of Education for removal from his or her cohort.

Per federal regulations, the Indiana Department of Education has outlined documentation requirements related to maintaining written records for students whom are removed from their cohort.

During the audit, we examined 16 students whom were removed from their graduation cohort. For 5 of the 16 students examined, the School Corporation did not provided adequate supporting documentation for the reason the student was removed from the cohort.

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the compliance requirement could result in the loss of federal funds to the School Corporation.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

34 CFR 200.19(b)(1)(ii) states in part:

". . . (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the compliance requirement listed above.

INDIANAPOLIS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN

Finding Number 2014-001

Auditee Contact Person Paul Carpenter-Wilson
Title of Contact Person Financial Manager
Phone Number 317-226-3601

Corrective Action

Procedures for preparation and review of the Schedule of Expenditures of Federal Awards (SEFA) will be implemented prior to July 1, 2016. Further review of all financial internal controls will be completed prior to July 1, 2017.

Finding Number 2014-002

Auditee Contact Person Paul Carpenter-Wilson
Title of Contact Person Financial Manager
Phone Number 317-226-3601

Corrective Action

Procedures for submission of cash reimbursement request reports will be implemented prior to July 1, 2016. Further review of all financial internal controls will be completed prior to July 1, 2017.

Finding Number 2014-003

Auditee Contact Person Paul Carpenter-Wilson
Title of Contact Person Financial Manager
Phone Number 317-226-3601

Corrective Action

The School Lunch Fund is operated in accordance with the guidelines established by the United States Department of Agriculture. All cash balances are expended as permitted by the prescribed guidelines.

INDIANAPOLIS PUBLIC SCHOOLS
CORRECTIVE ACTION PLAN
(CONTINUED)

Finding Number 2014-004

Auditee Contact Person Paul Carpenter-Wilson

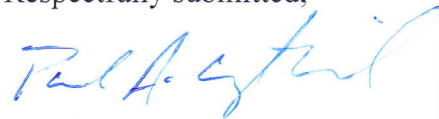
Title of Contact Person Financial Manager

Phone Number 317-226-3601

Corrective Action

Procedures for the removal of students from a cohort will be implemented prior to July 1, 2016.

Respectfully submitted,



Paul Carpenter-Wilson
Financial Manager
Indianapolis Public Schools

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS

PAYROLL CLEARING ACCOUNT

The Payroll Clearing Funds financial records presented for audit did not balance with subsidiary records and no identification of the balances was presented for audit. Some reconciling items were identified by the unit as the fund balance decreased from \$16,367,624 at the beginning of the audit period to \$7,082,538.32 at the end. The Payroll Clearing Funds, as reported, is composed of several similar payroll withholding liability funds. This includes fund numbers 8130 through 8450 recorded in the accounting system. These individual withholding liability funds did not accurately reflect the balances of the amounts to be paid.

Occasionally, a payroll withholding liability fund may have a negative balance, but most have a positive balance which reflects money withheld from payroll and held until it is remitted in the near future. One of the funds included in the Payroll Clearing Funds had an unusually large positive balance, but did not represent an accurate amount of the liability of the fund. At June 30, 2014, the Payroll Clearing Funds #8410 had a positive balance of \$5,165,796.

A similar comment appeared in the prior Report B41998.

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. The accounts are defined within each classification dependent on the purpose they serve. These purposes are detailed herein and include Petty Cash, Central Stores, Prepaid Insurance, Investments, Loans and Payroll Deductions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 6)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

WAREHOUSE CLEARING FUND

The Warehouse Clearing Funds maintained a large cash balance which remained steady over the two year audit period. At June 30, 2014, the balance was \$3,163,720. Unlike a clearing fund, the Warehouse Clearing Funds was used for making purchases and selling inventory. The Warehouse Clearing Funds, as reported, was composed of several similar asset accounts. Only the cash transactions and activity were reported on the cash basis financial statements. We used the supplementary information, prepared by the Accounting Department, on each individual account which identified similar issues with the state of these funds. The Warehouse Clearing Funds includes fund numbers 8460 to 9900 as recorded in the accounting system. Due to the fund numbers assigned to these clearing accounts, they were not initially reported to the Indiana Department of Education on the Form 9 report. Clearing accounts were not required to be reported. Adjustments were made to the financial statements to include them in the Financial Statement and Federal Single Audit Report of the School Corporation.

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Purchases made directly by the Warehouse Clearing Funds were not posted directly to any operating fund as disbursements. The purchases from vendors were posted directly to the Central Stores expense in the Warehouse Clearing Funds accounts, rather than being paid from fund appropriations. The expenses would eventually be posted to the individual appropriations within budgeted or non-budgeted operating funds when the individual school or location requested the supplies. At that time, the cost of the supplies would be charged as expenses to appropriations of the individual schools or locations and receipts entered into the Warehouse Clearing Funds. Included in that cost was a fee or mark up of 1 percent to 3 percent of based on the cost of the supplies. This inflated the disbursement posted to the appropriations in the operating fund above the actual purchase price. These fees were posted to the Sale of Supplies or similar revenue account in the Warehouse Clearing Funds.

A similar comment appeared in the prior Report B41998.

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipt and disbursement entries in the general ledger and subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements and balances of funds of the school corporation in accordance IC 5-11-1-2. The accounts are defined within each classification dependent on the purpose they serve. These purposes are detailed herein and include Petty Cash, Central Stores, Prepaid Insurance, Investments, Loans and Payroll Deductions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 6)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

The fund balances of some funds were overdrawn. The financial statement reports several grant funds with negative balances due to being funded by reimbursement grants, so by their very nature they will continually reflect overdrawn fund balances because all reimbursements have not been received. While there were other overdrawn fund balances, the following list includes only non-grant funds which had an overdrawn fund balance at June 30, 2013, or June 30, 2014:

Amount Fund	June 30, 2013 Overdrawn	June 30, 2014 Overdrawn
Textbook Rental	\$ 1,944,164	\$ 2,751,311
Safe School Haven	9,666	11,279
Sallie Mae Foundation	56,523	56,523
MA Rooney Foundation	67,325	25,536
New Teacher Project, Inc.	199	199
High School Graduation Coaches	113,570	113,570
Education Technology	8,184	-
Welfare Activities	89,259	89,259
Health Foundation Family Center	-	16,646
Project Peace	12,244	-

INDIANAPOLIS PUBLIC SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in the prior Report B41998.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

School Officials did not present detailed student records to support the Average Daily Membership claimed by the School Corporation. We were unable to determine if the number of students claimed was accurate.

For the September 2013 ADM count, the number of students claimed per the School Corporation's ADM report was 28,808. The number of students that we were able to confirm from the class rosters provided for audit inspection was 28,791 students. There were 17 fewer students listed on the class rosters.

The School Corporation's ADM Report that was filed with the State Department of Education states that 413 students were considered "Transfers Out" students. The class rosters provided show 396 "Transfers Out" students. This difference is also 17 students.

Indiana Code 5-15-6-3(f) stated in part during the audit period: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

ANNUAL FINANCIAL REPORT

The Annual Financial Report for the school year ending June 30, 2014, was not filed timely. The Annual Financial Report is due 60 days after the end of the school year. The Annual Financial Report was filed electronically on December 30, 2014, which was 124 days late.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."



December 7, 2015

Indiana State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204-2765

Sir or Madam:

The responses to the Audit Results and Comments of the State Board Accounts regarding the audit of Indianapolis Public Schools for the period July 1, 2012 through June 30, 2014 are attached.

Sincerely,

A handwritten signature in blue ink that reads "Lewis D. Ferebee".

Lewis D. Ferebee, Ed. D.
Superintendent

**Indianapolis Public Schools
State Board of Accounts Audit Results and Comments
IPS Response to Corporation Audit Results and Comments
July 1, 2012 through June 30, 2014**

The Indianapolis Public Schools recognizes the benefits of Audit Results and Comments. While none of the comments received from the Indiana State Board of Accounts caused a modification (or downgrade) of the audit opinion, IPS acknowledges their importance and receives them as an opportunity to improve. The responses shown below reflect the commitment to the process and the appreciation for the feedback.

As a general statement, the continued findings from the State Board of Accounts regarding the payroll clearing account, the warehouse clearing fund, and in some circumstances, overdrawn funds highlight issues that have no clear solution without incurring significant additional time and expense for the District to either stretch existing resources further (possibly compromising internal controls) or seeking outside assistance (possibly affecting the ability to provide educational services). The School District takes these matters seriously and will continue to collaborate with the Indiana State Board of Accounts and others to find solutions that meet the dual objectives of best practices and the responsible stewardship of resources.

IPS Response to State Board of Accounts Comment – Payroll Clearing Account

IPS has developed a plan to reconcile the fund balances. Said plan will cause difficulties in required reporting to other state agencies. IPS will continue to work with the State Board of Accounts to revise the plan and ameliorate the effects on reporting for all state agencies.

IPS Response to State Board of Accounts Comment – Warehouse Clearing Fund

IPS has developed a plan to reconcile the fund balances. Said plan will cause difficulties in required reporting to other state agencies. IPS will work with the State Board of Accounts to revise the plan and ameliorate the effects on reporting for all state agencies.

IPS Response to State Board of Accounts Comment – Overdrawn Fund Balances

Each of the funds cited have a particular set of circumstances that either created, or resulted in, a negative cash position. IPS will work diligently to bring these funds to a zero balance. Causes of overdrawn balances for many of the funds are related to the timing of reimbursements – particularly for grant funds. IPS provides payment for services prepares standardized reimbursement forms and received the reimbursements after the standardized forms are reviewed and approved by outside agencies. IPS can concur that the fund balances are overdrawn but the amount that is overdrawn is a reimbursement receivable.

IPS Response to State Board of Accounts Comment – Lack of ADM Records

IPS will review the procedures for documenting ADM in order to prevent this oversight in the future.

IPS Response to State Board of Accounts Comment – Annual Report

IPS will implement procedures to ensure the required reporting by all state agencies is completed and submitted in a timely fashion

INDIANAPOLIS PUBLIC SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2015, with Dr. Lewis D. Ferebee, Superintendent of Schools; Paul Carpenter-Wilson, former Treasurer; Weston R. Young, Treasurer; and John Patrick Niland; Accounting Supervisor.