



**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2004**



**Auditor of State  
Betty Montgomery**



**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY**

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT**

International Preparatory School  
c/o Hilary S. Taylor, Receiver  
Weston Hurd, LLP  
The Tower at Erieview  
1301 East 9th Street, Suite 1900  
Cleveland, Ohio 44114-1862

To the Receiver:

We were engaged to audit the accompanying financial statements of the International Preparatory School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School's management.

The School did not provide original documentation to support the amounts reported as cash and cash equivalents on the Statement of Financial Position. The School did not prepare a complete and accurate reconciliation of all of the School's bank accounts as of June 30, 2004 nor did the School maintain a complete file of canceled checks and bank statements for the period.

The School did not provide records of the fixed assets owned, failed to maintain original supporting documentation which itemized and identified fixed assets purchased, by local or federal funds, failed to identify the location of assets within the School, or develop and/or implement procedures to record fixed assets additions and deletions.

The total reported accounts payable amounts were not supported. The School did not provide original invoices representing valid claims. Also, we were not provided with original supporting documentation sustaining the amounts reported as withholding taxes payable.

The School did not maintain records which included all checks prepared for payments made to employees and we were unable to obtain evidence of Board approval of salary and wage amounts paid to employees.

The School did not provide original supporting documentation for all non-payroll expenditures. Consequently, we were unable to verify the accuracy, completeness and valuation of the amounts reported as expenditures for non-payroll purposes.

Since the School did not provide the evidence described in paragraphs two to six above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In addition, the School did not prepare the Statement of Cash Flows in accordance with Governmental Accounting Standards Board (GASB) Statement number 9 and the prepared financial statements presented were not in accordance with GASB Statement number 34 for June 30, 2004. Since the financial statements are not presented in accordance with GASB 9 and 34, the financial statements are not in conformity with Accounting Principles Generally Accepted in the United States of America.

The notes to the financial statements do not disclose the International Preparatory School was closed in October 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2006 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Generally accepted accounting principles also requires the School to include Management's Discussion and Analysis for the year ended June 30, 2004. The School has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

The School did not prepare a federal awards expenditure schedule which would present additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**Betty Montgomery**  
Auditor of State

April 1, 2006

**The International Preparatory School  
STATEMENT OF FINANCIAL POSITION  
As of June 30, 2004**

(See Notes to Financial Statements)

**ASSETS**

**CURRENT ASSETS**

Petty Cash	\$	971	
Cash in Bank - NCB General Fund		33,578	
Cash in Bank - First Merit General Fund		(2,998)	
Cash in Bank - NCB-Grant Fund		916	
<b>Total Current Assets</b>			<b>32,485</b>

**PROPERTY AND EQUIPMENT**

Equipment and Furniture		470,511	
Leasehold Improvements		115,300	
Less: Accumulated Depreciation		(269,073)	
<b>Net Property and Equipment</b>			<b>316,738</b>

<b>TOTAL ASSETS</b>			<b>\$ 349,203</b>
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**The International Preparatory School**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2004**

(See Notes to Financial Statements)

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$	459,397
Accrued Payroll		133,854
Accrued Local Withholding Taxes		76,277
Inter-Government Liability		283,304
Loan Payable - Enterprise International		<u>31,000</u>
<b>Total Current Liabilities</b>		<u>983,832</u>
<b>LONG-TERM LIABILITIES</b>		
Withholding Taxes Payable		<u>218,696</u>
<b>Total Long-Term Liabilities</b>		<u>218,696</u>
<b>Total Liabilities</b>		<u>1,202,528</u>
<b>NET ASSETS</b>		
Unrestricted		<u>(853,325)</u>
<b>Total Net Assets</b>		<u>(853,325)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 349,203</u>



**The International Preparatory School**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**  
(See Notes to Financial Statements)

		%
<b>Revenue</b>		
Foundation Revenue - EDU	\$ 5,141,911	81.1
Other Operating Revenue and Grants	<u>1,197,949</u>	<u>18.9</u>
<b>Total Revenue</b>	<u>6,339,860</u>	<u>100.0</u>
 <b>Functional Expenses</b>		
Advertising	34,752	0.5
Bank Charges	13,474	0.2
Computer Expense	6,282	0.1
Depreciation and Amortization	99,681	1.6
Dues and Subscriptions	1,027	-
Employee Benefits - Health and Life	94,668	1.5
Employee Benefits - Retirement	345,769	5.5
FERP Expenses	270,440	4.3
Fundraising	11,259	0.2
Insurance - General	16,725	0.3
Lease Equipment	30,605	0.5
Legal & Professional	182,836	2.9
Licenses and Permits	1,350	-
Materials & Supplies	30,633	0.5
Meetings	489	-
Miscellaneous	1,048	-
Office Expense	28,075	0.4
Postage and Delivery	1,933	-
Purchased Services	1,692,323	26.7
Rent - Buildings	636,000	10.0
Repairs and Maintenance - Buildings	71,210	1.1
Repairs and Maintenance - Equipment	2,529	-
Salaries	2,688,805	42.4
Security System	8,736	0.1
Taxes - Payroll	38,589	0.6
Taxes - Real Estate	7,118	0.1
Telephone	47,427	0.7
Travel	36,931	0.6
Utilities	<u>129,453</u>	<u>2.0</u>
<b>Total Functional Expenses</b>	<u>6,530,165</u>	<u>103.0</u>
<b>Change in Net Assets</b>	<u>\$ (190,305)</u>	<u>(3.0)</u>

**The International Preparatory School**  
**STATEMENT OF CASH FLOWS**  
**For the 12 months Ended June 30, 2004**  
(See Notes to Financial Statements)

	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net Change in Assets	\$ (190,305)
Adjustments to reconcile Net Change (Loss) to net Cash provided by (used in) operating activities:	
Depreciation and Amortization	99,681
Losses (Gains) on sales of Fixed Assets	-
Decrease (Increase) in Operating Assets:	
Other Receivables	5,125
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	337,233
Accrued Liabilities	148,091
Total Adjustments	<u>590,130</u>
Net Cash Provided By (Used in) Operating Activities	399,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Capital Expenditures	(171,288)
Proceeds From Sale of Fixed Assets	<u>          </u>
Net Cash Provided By (Used In) Investing Activities	(171,288)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net Cash Provided By (Used In) Financing Activities	<u>          </u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	228,537
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>(196,072)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 32,465</u>

**THE INTERNATIONAL PREPARATORY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The International Preparatory School (TIPS) is a nonprofit corporation established July 1, 1999 pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students from low income families in grades kindergarten through twelfth. TIPS, which is part of the State's education program, is independent of any school district. It is nonsectarian in its programs, admission policies, employment practices and all other operations.

TIPS was approved for operation under contract with the Ohio State Board of Education for a period of five years commencing July 1, 1999. The Sponsor (Lucas County Educational Service Center) has just extended the contract for five years till June 30, 2009. The Sponsor is responsible for evaluating the performance of the school and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. TIPS is an approved tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TIPS tax-exempt status.

TIPS operates under the direction of a three-member Governing Board. The Board is responsible for carrying out the provision of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of TIPS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

**A. Enterprise Accounting**

The School used enterprise accounting to track and report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**THE INTERNATIONAL PREPARATORY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

**D. Furniture & Equipment**

TIPS continues to purchase items from auctions, defunct schools, and from surplus college furniture & equipment facilities. TIPS also receives donations of new furniture, equipment, and supplies from various organizations.

**E. Fixed Assets and Depreciation**

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. TIPS maintains a capitalization threshold of five hundred dollars. TIPS does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs do not add to the value of the asset or materially extend an asset life are not capitalized.

Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture & equipment	7
Leasehold improvements	15

**F. Intergovernmental Revenues**

TIPS currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, the State Lunch Program, the State Schoolnet Program, and the State's Continuous Comprehensive Improvement Program (CCIP). Revenues received from these programs are recognized as operation revenues in the accounting period in which they are earned and become measurable.

**G. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

**THE INTERNATIONAL PREPARATORY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

**3. FEDERAL INCOME TAXES PAYABLE**

TIPS reported payables in the amount of \$502,000 on its balance sheet representing monies due to governmental agencies for payroll withholding. TIPS has negotiated a settlement with the government and is making monthly payments as required.

**4. LEASES - OPERATING**

TIPS leases its facilities from Enterprise International of Ohio, LLC. Under a five-year lease agreement that is to end on June, 2009. The lease agreement requires annual lease payments of \$468,000.00. Lease payments during the year ended June 30, 2004 totaled \$468,000.00. The lessor is a related party, owned by Da'ud Abdul Malik, Shabazz and Hassina Rane, Shabazz, who are the chairman and treasurer of board of trustees of TIPS respectively.

TIPS also leases facilities from Carl Glickman, at 10701 S. Miles Blvd. The lease agreement requires annual lease payments of \$168,000.. The lease will become month-to-month in the fiscal year ending June 30, 2005. Total lease expense is \$636,000.

**5. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

TIPS contributed to the School Employees Retirement System of Ohio ("SERS"), a cost sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. 4<sup>th</sup> St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9.3 percent of their annual covered salaries and the school is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations, with the remainder used to fund health care benefits; for the year ended June 30, 2004, 5.00 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the employers are established and may be amended, up to a statutory maximum amount, by the SERS Board.

**B. State Teachers Retirement System**

TIPS contributes to the State Teachers Retirement System of Ohio ("STRS"), a cost-sharing multiple employer public employee retirement system STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for STRS. That

**THE INTERNATIONAL PREPARATORY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2004, plan members are required to contribute 9.3 percent of their annual covered salaries. TIPS was required to contribute 14 percent, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Total contributions to SERS and STRS for the Fiscal Year Ended June 30, 2004, was \$345,769. These amounts are deducted by the state automatically.

## **6. CONTINGENCIES**

### **A. Grants**

TIPS received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of TIPS. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

### **B. Litigation**

TIPS is party to certain legal proceedings. TIPS's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, on the financial condition of TIPS.

## **7. RELATED PARTY TRANSACTIONS**

During fiscal year 2004 TIPS leased space from an organization whose Executive Director is also the Chairman of TIPS' Governing Authority. The lease expense for year 2004 was \$468,000.00.

One Board Member of the TIPS' Governing Authority is also a Board member of Oasis Development Corporation. TIPS contracts with Oasis for various Consulting services (See Item 1-Description of the School and Reporting Entity).

During the 2003/2004 school year, TIPS employed and or purchased service from several of the Governing Authorities relatives.

## **8. MANAGEMENT CONSULTING CONTRACT**

TIPS entered into a management contract with Oasis Development Corporation Inc. to provide consulting services. Under the contract, Oasis Development Corporation, Inc. is required to provide the following services:

- A. Secure facility/facilities for TIPS to operate.

**THE INTERNATIONAL PREPARATORY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004**

- B. Secure funding for leases and/or purchases via loans, notes, grants, etc.
  
- C. Consulting and liaison services with the Ohio Department of Education and Other governmental and quasi-governmental offices and agencies.
  
- D. Advisory services regarding special education and special needs students, programs, processes, and reimbursements.
  
- E. Other ongoing consultation with TIPS's management, as requested.
  
- F. EMIS monitoring, consultation and guidance to TIPS staff on implementation and ongoing compliance with EMIS requirements.
  
- G. Attendance at the TIPS's board of trustees meetings, as an invited observer.
  
- H. Utilization of operations manual forms, (including teacher's contracts, applications, enrollment and similar forms) and management procedures, as the same are from time to time developed by Oasis Development Corporation, Inc.
  
- I. Consultive services on insurance needs, including introduction to Oasis Development Inc.'s insurance relationships.
  
- J. Assistance in identifying and applying for grants.
  
- K. Provide support services as needed (for an additional fee)
  
- L. Such other management consultant services as are from time to time mutually agreed upon.

For these services, TIPS pays a monthly continuing fee to Oasis North Development Corporation 10% of the schools gross revenue from ODE. During the fiscal year 2004, TIPS paid a total fee of \$514, 190.98.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

International Preparatory School  
c/o Hilary S. Taylor, Receiver  
Weston Hurd, LLP  
The Tower at Erieview  
1301 East 9th Street, Suite 1900  
Cleveland, Ohio 44114-1862

To the Receiver:

We were engaged to audit the financial statements of the International Preparatory School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2004 and have issued our report thereon dated April 1, 2006. Our report indicated that because of the inadequate documentation in support the amounts reported as cash and cash equivalents, the insufficiency of evidence to support the amounts reported as fixed assets, the inability to verify the amounts reported as accounts payable, the inability to obtain evidence of Board approval of salary and wage amounts paid to employees, and missing checks for payroll and non-payroll purposes and the lack of supporting documentation for payments made for non-payroll purposes we did not express an opinion on the financial statements. Also, our report indicated that since the School's financial statements are not presented in accordance with GASB 34, the financial statements are not in conformity with Accounting Principles Generally Accepted in the United States of America. In addition, the School was served an administrative subpoena on November 15, 2005 requesting financial information to be provided by December 14, 2005. The School did not provide the subpoena information by the deadline. The Receiver was appointed by the Cuyahoga County Common Pleas Court on December 22, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-004 through 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements which, we were engaged to audit, may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-004 through 2004-009 listed above to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2004-001 through 2004-003.

We intend this report solely for the information and use of the Receiver, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

April 1, 2006



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

International Preparatory School  
c/o Hilary S. Taylor, Receiver  
Weston Hurd, LLP  
The Tower at Erieview  
1301 East 9th Street, Suite 1900  
Cleveland, Ohio 44114-1862

To the Receiver:

**Compliance**

We were engaged to audit the compliance of the International Preparatory School, Cuyahoga County, Ohio, (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We were unable to conduct 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. Our engagement does not provide a legal determination on the School's compliance with those requirements.

As described in items 2004-010 through 2004-017, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, to determine the completeness and existence of financial records and supporting documentation

Since the School did not provide the evidence described in the above paragraph, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on whether the School had complied with the requirements in regard to its federal programs for which it had received funding.

### Internal Control Over Compliance

The School's management 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 engagement, we considered the School's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the School's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-004 through 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2004-004 through 2004-009 to be material weaknesses.

We intend this report solely for the information and use of the Receiver, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 1, 2006

INTERNATIONAL PREPARATORY SCHOOL  
 CUYAHOGA COUNTY  
 FISCAL YEAR END JUNE 30, 2004

SCHEDULE OF FINDINGS and QUESTIONED COSTS  
 OMB CIRCULAR A -133 § .505

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Disclaimer
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Disclaimer
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I - 84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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The comments with an asterisk (\*) denote comments which were previously brought to management's attention for the fiscal year ended June 30, 2003, in which no corrective action has been taken.

Even though the School closed in October 2005, recommendations are included should the School reopen or a related school open.

<b>FINDING NUMBER</b>	<b>2004-001</b>
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**\*Five-Year Revenue and Expenditure Projection**

Ohio Revised Code Section 3314.03(A)(15) provides that the School is required to prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specify the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Revised Code. The plan may also specify for any year a percentage figure to be used for reducing the per pupil amount of the subsidy calculated pursuant to section 3317.029 of the Revised Code the school is to receive that year under 3314.08 of the Revised Code.

The School did not prepare the financial plan as required, consequently, the Board was not able to approve an annual spending plan or approve the assumptions of the financial management in dealing with the finances of the School.

We recommend the Board and School management review the requirements of Ohio Revised Code section 3314.03 and take the necessary steps to meet this requirement including the approval of the governing board and reviewing the appropriateness of the amounts included in the estimated budget.

<b>FINDING NUMBER</b>	<b>2004-002</b>
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**\*Books, Records of Accounts, and Minutes**

Ohio Revised Code Section 1702.15 provides, in part, that each corporation shall keep correct and complete books and records of account, together with minutes of the proceedings of its incorporators, members, directors, and committees of its directors or members.

The School failed to maintain correct and complete books and records of account, maintain files of supporting documentation for payments made and maintain a complete file of canceled checks.

We recommend the School maintain financial records which are correct, complete, and accurate. If necessary the School should research and attend related training sessions to ensure adequate maintenance of books and records of account.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-003</b>
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**\*Uniform School Accounting System (USAS)**

Ohio Revised Code Section 3314.17 requires community schools to follow the requirements of Ohio Revised Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each school district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data;
- Procedures for annually reporting the data to the general public;

Section B prescribes:

- Guidelines outlining what information should be maintained in the system;

Section C prescribes:

- The education management information shall include cost accounting data for each district as a whole and by building;

Section D prescribes:

- Guidelines which require information about individual students, staff members, or both; and,

Section E further prescribes:

- Guidelines which describe any and all special reports which may be required.

In addition, Section 117-6-01(B) of the Ohio Administrative Code and, Chapter 4, Section 4.1 of the EMIS manual prescribe that each school district maintain its records on the Uniform School Accounting System (USAS). This system involves an account structure with district dimensions. To meet these requirements it is necessary for the school to maintain its financial records at specified minimum levels of detail for each dimension.

The School did not maintain its financial records in accordance with the requirement of the USAS system.

We recommend the School review the agreed upon requirements of the Community School Contract, the above noted sections of the Ohio Revised Code, and the Ohio Administrative Code which are part of the contract and are very specific as to this requirement. The School has no options in the implementation and use of this system.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-004</b>
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**Tax Exempt Status**

The School did not present documentation that it has applied to the Internal Revenue Service to obtain tax exempt status pursuant to Section 26 USC 501 (c) (3). The School has made no provision for any potential current or future tax liability which could result from not obtaining the § 501(c)(3) tax exempt status. Further, we found no evidence the School had filed any tax returns. The accompanying financial statements do not include amounts associated with an income tax liability or associated fines or penalties.

We recommend the School consult with qualified tax counsel to determine necessary tax filings with the Internal Revenue Service, pay any outstanding taxes due, and negotiate a settlement concerning any fees and/or penalties which may be assessed.

<b>FINDING NUMBER</b>	<b>2004-005</b>
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**\*Developing and Implementing an Effective Monitoring Control System**

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management’s objectives are being achieved. Effective monitoring controls should assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual transactions;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.



**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-005</b>
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**\*Developing and Implementing an Effective Monitoring Control System (Continued)**

The lack of effective monitoring controls could lead to the misallocation or misstatement of School funds, expenditure of funds contrary to the directives of the governing board, non-compliance with federal or state laws or regulations, which could result in a loss of funding from these sources, and errors or irregularities occurring in financial transactions affecting the bank reconciliations which go undetected.

We recommend that management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

<b>FINDING NUMBER</b>	<b>2004-006</b>
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**\*Fixed Assets**

We noted the following control weaknesses over fixed assets:

- A fixed asset accounting system, which maintains a complete fixed asset listing by location, with tag or other identification numbers and other pertinent information had not been developed;
- The School had not developed and implemented procedures to record assets as additions when purchased and deletions when disposed of through the year;
- A listing of fixed assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose was not maintained;
- Invoices and supporting documentation for items were not identified; and
- The fixed asset listing provided could not be verified for completeness.

Failure to prepare timely reports or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and/or misstatement of recorded amounts on the financial statements.

To maintain adequate safeguards over fixed assets and to reduce the risk that the School's assets may be misstated, we recommend management develop and implement procedures to be performed throughout the year for the recording and updating of fixed assets, including an individual listing of items purchased with federal funds. These procedures should include tagging all fixed assets meeting the established capitalization threshold. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into the fixed asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed, and the fixed assets listed on the accounting system should be compared to the items on hand and any discrepancies should be investigated.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-007</b>
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**\*Accurate Balances as of the Statement of Financial Position Date**

Management is responsible for maintaining records which accurately record the financial position of the School. During this engagement, we were unable to verify the accuracy of the amounts recorded in the financial statements.

Without accurate and complete presentation the financial position of the School cannot be determined. Also, in the absence of complete and accurate records, the School could experience losses, lose assets, and have debt amounts in excess of their ability to repay.

It is imperative that accurate and complete records which exhibit true balances be maintained. If necessary, the School management should read and study the available authoritative literature, and develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity.

<b>FINDING NUMBER</b>	<b>2004-008</b>
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**\*Condition of Accounting Records**

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the School. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records consisted of the following:

- Some monthly bank statements, some canceled checks, some invoices which were received from vendors for items purchased, ADP records of most payrolls, and GAAP basis financial statements;
- The files of canceled checks were incomplete;
- Supporting documentation for non-payroll expenditures was lacking or non-existent;
- No records existed of Board approval for employee salary and/or wage rates;
- Fixed asset records did not exist;
- There was no evidence of the Board reviewing or approving any of the financial activity of the School; and
- Monies deposited were commingled and these funds were not identified on individual receipt records.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-008</b>
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**Condition of Accounting Records (Continued)**

We recommend the School develop and maintain a system of controls and financial records which exhibit the financial position of the School, and at a minimum, consist of the following:

- Revenue ledgers which record all sources of monies received, purpose of the receipt, and from whom received;
- Sequentially numbered duplicate receipts prepared for all monies received;
- Copies of all deposit transactions to the bank;
- Reconciliations of bank deposits to duplicate receipts and revenue ledgers;
- Development of a system to document approvals for expenditures made;
- Expenditure ledgers which record all expenditures of monies and the purpose of the expenditure;
- Files which consist of the original invoices received for all expenditures made which cross reference to the checks prepared for the payment of the invoices (if invoices are not filed with the canceled checks);
- Files of all canceled checks returned from the bank;
- Complete and accurate listings of all outstanding checks at the end of each month;
- Complete and accurate monthly bank to book reconciliations;
- Preparation of monthly financial statements;
- Development of Board policies which enumerate and describe the financial records to be maintained by the School;
- Development by management of a complete system of controls to help ensure the completeness, accuracy, and validity of the School's financial transactions; and,
- Evidence of review of the financial statements and supporting documentation by the Board and management.

The School management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

<b>FINDING NUMBER</b>	<b>2004-009</b>
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**\*Development and Implementation of Payroll Processing Procedures**

We noted the Board did not approve salaries within its minute records and there was no record of the Board's approval of salaries or wage rates in the payroll files of the employees. It is possible that employees could be paid incorrect amounts. Also, we noted that the School did not have the required BCI background checks on file.

Procedures for payroll processing should include, but are not limited to:

- Approval by the Board of Trustees of all pay rates;
- Comparison of all employees' gross wages paid with the approved pay rates as documented in employee contracts; and,
- The School should maintain the required BCI background checks on file.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>FINDING NUMBER</b>	<b>2004-009</b>
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**\*Development and Implementation of Payroll Processing Procedures (Continued)**

The Board should formally approve employment contracts or pay scales for all employees. Without this approval, it is possible that employees could be paid amounts which were not in accordance with the direction of the Board. Also, we recommend the Board monitor the amounts paid to employees and the maintenance of the required BCI background checks.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Total Questioned Costs \$ 866,115**

**National School Lunch**

<b>Finding Number</b>	2004-010
<b>CFDA Title and Number</b>	National School Lunch Program 10.555
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Agriculture
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were not provided with applications for free and reduced lunch from the students, we were not provided with eligibility determinations, the School did not provide evidence that the reporting requirements were met, and no evidence was provided of the number of lunches served. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$123,887.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Title One**

<b>Finding Number</b>	2004-011
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS Title I 84.010
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were not provided with documentation supporting participant eligibility for the program, and we had no capital asset records to identify any equipment which was purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$622,502.

**IDEA Part B**

<b>Finding Number</b>	2004-012
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS IDEA Part B 84.027
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the grant agreement to determine if specified services or expenditure levels were maintained, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$98,653.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Drug Free Schools Grant**

<b>Finding Number</b>	2004-013
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS Drug Free Schools Grant 84.186
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the grant agreement to determine if specified services or expenditure levels were maintained, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$1,494.

**Title V – Innovative Programs**

<b>Finding Number</b>	2004-014
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS Title V – Innovative Programs 84.298
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the grant agreement to determine if specified services or expenditure levels were maintained, we were unable to determine if federal funds had been used to supplant and not supplement local funds, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$3,050

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Title II-D Education Technology Grant**

<b>Finding Number</b>	2004-015
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS Title II-D Education Technology Grant 84.318
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the grant agreement to determine if specified services or expenditure levels were maintained, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$2,121.

**Title II-A Improving Teacher Quality**

<b>Finding Number</b>	2004-016
<b>CFDA Title and Number</b>	Grants to Local Education Agencies – ESAS Title II-A Improving Teacher Quality 84.387
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the grant agreement to determine if specified services or expenditure levels were maintained, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$14,408.

**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY  
FOR THE YEAR ENDED JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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**Ohio Schools Facility Commission**

<b>Finding Number</b>	2004-017
<b>CFDA Title and Number</b>	School Renovation, IDEA, and Technology Program 84.352A
<b>Federal Award Number / Year</b>	133694/2004
<b>Federal Agency</b>	U. S. Department of Education
<b>Pass Through Agency</b>	Ohio Department of Education

During our engagement to audit the financial records of the School, the School did not disclose that this grant was funded with federal funds. For this grant, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. Financial records were incomplete, original supporting documentation was lacking or non-existent, contract awards, contractors files, construction progress reports, prevailing wage assessments made by the school, or draw down requests were not on file, bank statements were missing, cancelled checks were not on file, we were unable to verify if funds were used in a timely manner, we did not have the detailed expenditures to determine if specified services or expenditure levels were maintained, and we had no capital asset records to identify if any equipment had been purchased with the program funds. Based on the inability to perform an audit and the School not preparing a schedule of federal award expenditures, we question all of the costs for this program. Total questioned costs \$174,786.





**Auditor of State  
Betty Montgomery**

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**INTERNATIONAL PREPARATORY SCHOOL  
CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 29, 2006**