

**PROGRESS IN EDUCATION, INC.
NORTH SIDE COMMUNITY SCHOOL
ST. LOUIS, MISSOURI**

REPORT TO ADMINISTRATION

JUNE 30, 2010

To the Governing Board
Progress in Education, Inc.
North Side Community School

In planning and performing our audit of the financial statements of Progress in Education, Inc. - North Side Community School for the year ended June 30, 2010, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. (We previously reported on the School's internal control in our report dated November 24, 2010.) This letter does not affect our report dated November 24, 2010, on the financial statements of North Side Community School. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of administration, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

SALES TAX - During our audit, we noted expense reimbursements to employees that included sales tax. We also noted sales tax paid on the School's supplies. As the School is a non-taxable entity, it is not required to pay sales tax on purchases and should not reimburse its employees for sales tax paid on purchases made on the School's behalf. We recommend that the School update its policies and procedures to state that employees will not be reimbursed for sales tax and that the School monitors employee reimbursements to insure compliance.

ATTENDANCE - Attendance statistics are among the primary numbers that drive school revenues. For this reason, we spend a significant amount of time auditing this area. During our audit, we noted errors in the computation of hours in attendance. The causes of these errors appeared to be two-fold. First, the School's computations were all manually input, which increases the opportunity for error by the person(s) performing the computations. However, we noted during our audit, the School has implemented a new attendance software for the current year, and we concur with this decision. Second, an individual other than the one who performed the computations did not review the records. We recommend that the School review its procedures for attendance reporting and revise them as necessary to increase the accuracy of its reports. As a result of our audit, hours in session have been corrected, and ADA increased 1.3 resulting in approximately **\$9,500 in additional revenue.**

ACCOUNTING SOFTWARE - The Department of Elementary and Secondary Education requires coding of revenues and expenditures by fund, function and object. During our audit, we noted, the revenues and expenditures were recorded by object; however, no fund or function codes were reported on the general ledger. As the School's financial activity increases, it will be difficult to report revenues and expenditures as required by DESE with the School's current software. We recommend that the School purchase different software or work with its vendor to determine whether modifications to the existing software could allow for improved functionality.

PURCHASES - During our audit, we noted procedures related to the purchasing of materials and approval of invoices had been improved during the year and we concur with those improvements. Due to the fact the School will be growing substantially over the next few years, we recommend that the procedures are reviewed periodically to ensure they are still relevant and being followed.

DEBIT CARDS - During our audit we noted that no one is reviewing the debit card purchases of the business manager. We recommend the School develop procedures to ensure all debit card receipts are reviewed by someone other than the person making the purchases.

PAYROLL - During our audit we noted substitute teachers and certain employees were paid as contract workers and not ran through the payroll system as employees with required taxes withheld. Internal Revenue Service regulations require that all payments of compensation to employees have required taxes withheld and reported on Form W-2. We recommend the relationships with the above workers are analyzed to determine their proper employment classification.

This report is intended solely for the information and use of the Governing Board and the administration and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

November 24, 2010