



Mary Taylor, CPA
Auditor of State

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Nia University Community School
Hamilton County
7030 Reading Road
Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We were engaged to audit the accompanying basic financial statements of Nia University Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the School's management.

Management has not provided a written representation letter, which is required by auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Due to the significance of the matter discussed in the preceding paragraph, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the basic financial statements of Nia University Community School, Hamilton County, Ohio as of June 30, 2008 and for the year then ended.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As described in Note 11, the School has an operating loss of (\$199,286) for the year ended June 30, 2008 and a working capital deficit of (\$88,304) and unreserved net asset deficit at June 30, 2008 that raise substantial doubt about its ability to continue as a going concern. The School did not provide Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, 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 did 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. The School did not present all disclosure and analysis required by accounting principles generally accepted in the United States of America. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

October 16, 2009

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)**

The discussion and analysis of the NIA University Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2008 are as follows:

- Net assets totaled \$74,722.
- Total assets were \$213,918.
- Liabilities totaled \$139,196.
- Operating revenues equaled \$664,338 and non-operating revenue were \$362,387.
- Operating expenses amounted to \$863,624.

Using this Financial Report

This report consists of the MD&A, the basic financial statements, and notes to basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)**

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, "How did we do financially during 2008?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2008 as follows:

(Table 1)

Net Assets

	<u>2008</u>
Assets	
Current Assets	50,892
Capital Assets, Net	163,026
Total Assets	<u>213,918</u>
Liabilities	
Current Liabilities	139,196
Total Liabilities	<u>139,196</u>
Net Assets	
Invested in Capital Assets	163,026
Unrestricted	(88,304)
Total Net Assets	<u><u>\$ 74,722</u></u>

Total assets were \$213,918 . Intergovernmental receivables amounted to \$20,000 and prepaid amounted to \$30,892.

Total liabilities were \$139,196. Accounts payable equaled \$64,649, intergovernmental payable was \$45,542 and accrued wages and benefits equaled \$29,005.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2008 as well as a listing of revenues and expenses.

	2008
Operating Revenues	
Foundation payments	\$645,852
Donations	10,000
Other	8,486
Total Operating Revenues	664,338
Operating Expenses	
Salaries	418,591
Purchased Services	318,715
Supplies and materials	79,378
Depreciation	36,675
Other	10,265
Total Operating Expenses	863,624
Operating (Loss)	(199,286)
Non-Operating Revenue and Expense	
Federal Restricted Grants	362,387
Interest and Fiscal Charges	(211)
Total Non-Operating Revenues	362,176
Change in Net Assets	\$162,890

Community schools receive no support from taxes. The State Foundation Program and the Ohio Charter Schools Federal Sub-grant Program are, by far, the primary support for the School's students.

Capital Assets

At the end of fiscal year 2008, the School had \$209,747 invested in capital assets. That total carries an accumulated depreciation of \$46,721. Table 3 shows fiscal year 2008 balances.

(Table 3)

Capital Assets & Accumulated Depreciation at Year End

<u>Depreciable Capital Assets:</u>	
Furniture, Fixtures, and Equipment	\$209,747
<u>Less Accumulated Depreciation:</u>	
Furniture, Fixtures, and Equipment	46,721
Capital Assets, Net	\$163,026

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Unaudited)**

For the Future

The School will be working towards providing instructional, administrative, and fiscal services through a management company, Specialists in Educational Excellence (SEE). As the School takes on increasingly more of the instructional, administrative, and fiscal services through SEE, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the School's five year plan.

The School received additional start-up grant monies of \$300,000 under the Ohio Charter Schools Federal Sub-grant Program during fiscal year 2008.

The School's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the School's Financial Management

This financial report is designed to provide our citizens with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Rochelle Shields, Treasurer, at the NIA UNIVERSITY COMMUNITY SCHOOL, 7030 Reading, Suite 134, Cincinnati, Ohio 45237 or e-mail at rblessed@fuse.net .

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

Assets

Current Assets

Prepaid Assets	\$ 30,892
Intergovernmental Receivable	20,000
Total Current Assets	<u>\$50,892</u>

Non-Current Assets

Depreciable Capital Assets (Net of Accumulated Depreciation)	<u>163,026</u>
Total Non-Current Assets	<u>163,026</u>
Total Assets	<u><u>\$213,918</u></u>

Liabilities

Current Liabilities

Accounts Payable	\$64,649
Accrued Wages & Benefits	29,005
Intergovernmental Payable	<u>45,542</u>
Total Current Liabilities	<u>139,196</u>

Net Assets

Invested in Capital Assets	163,026
Unrestricted (Deficit)	<u>(88,304)</u>
Total Net Assets	<u><u>\$74,722</u></u>

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

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Operating Revenues	
Foundation payments	\$645,852
Donations	10,000
Other	8,486
Total Operating Revenues	<u>664,338</u>
Operating Expenses	
Salaries & Benefits	418,591
Purchased Services	318,715
Supplies and materials	79,378
Depreciation	36,675
Other	10,265
Total Operating Expenses	<u>863,624</u>
Operating (loss)	(199,286)
Non-Operating Revenue and Expense	
Federal Restricted Grants	362,387
Interest and Fiscal Charges	(211)
Total Non-Operating Revenues	<u>362,176</u>
Change in Net Assets	<u>\$162,890</u>
Net Assets Beginning of Year	<u>(88,168)</u>
Net Assets End of Year	<u>\$74,722</u>

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

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Increase (Decreases) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Foundation Payments	\$ 645,852
Cash Received from Donations	10,000
Cash Received from Other Operating Revenues	8,486
Cash Payments for Personnell services	(410,695)
Cash Payments for Contract Services	(379,595)
Cash Payments for Supplies and Materials	(79,478)
Cash Payments for Miscellaneous	(8,792)
Net Cash Used for Operating Activities	<u>(214,222)</u>

Cash Flows from Noncapital Financing Activities:

Cash from Federal & State Subsidies	342,387
Negative Cash Balance Implicitly Financed	20,535
Net Cash from Noncapital Financing Activities	<u>362,922</u>

Cash Flows from Capital and Related Financing Activities:

Purchased Assets	<u>(156,499)</u>
Net Cash from Capital and Related Financing Activities	(156,499)

Net Decrease in Cash and Cash Equivalents:	(7,799)
Cash and Cash Equivalents at bBeginning of Year	7,799
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>

Reconciliation of Operating Loss to Net Cash

Used for Operating Activities:

Operating (Loss)	\$ (199,286)
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Adjustments to Reconcile Operating Income (Loss) to Net

Cash Provided by Operating Activities:

Depreciation	36,675
Changes in Assets and Liabilities:	
Decrease (Increase) in Prepaid Assets	1,374
Decrease (Increase) in Intergovernmental Receivable	(20,000)
Increase (Decrease) in Accounts Payable	(45,337)
Increase (Decrease) in Wage and Benefits Payable	2,550
Increase (Decrease) in Intergovernmental Payable	9,802
Net cash used by operating activities	<u>\$ (214,222)</u>

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

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**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

NIA UNIVERSITY COMMUNITY SCHOOL, HAMILTON COUNTY, Ohio (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for educational, literary, scientific and related teaching services. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2006. 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. Starting the 2007 school year the Ohio Department of Education was no longer permitted to sponsor charter schools. Due to this legislative change, Educational Resource Consultants of Ohio, Inc. became the sponsor for the School beginning school year 2007.

The School operated under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Trustees controls the School's two instructional/support facility staffed by 11 certified full-time teaching personnel who provided services to 105 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with the 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.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. 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 Statement of Net Assets. The Statement of Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transaction, in which the School receives value without directly giving equal value in return, includes grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 Revised Code, Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the School's Administrator compares budget income and expense to actual figures on a regular basis and also prescribes that the finance committee will review and compare the budgetary expenses and income from reports prepared by the School's treasurer on a monthly basis. The finance committee is required to report their recommendations to the Board of Directors.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Depreciation of furniture and equipment is computed using the straight line method over the estimated useful life of three to seven years. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets.

F. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Estimates

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

I. Cash and Deposits

The School's funds are pooled in a checking account with a local commercial bank.

3. DEPOSITS

At fiscal year end, the carrying amount of the School's deposits was \$(20,535) and the bank balance was \$81,175. Of the bank balance, all was covered by Federal Depository Insurance.

Investments: The School had no investments at June 30, 2008, or during the fiscal year.

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital Assets Being Depreciated Furniture, Fixtures, and Equipment	63,355	146,392	-	209,747
Total Capital Assets Being Depreciated	63,355	146,392	-	209,747
Less Accumulated Depreciation: Furniture, Fixtures, and Equipment	10,045	36,676	-	46,721
Total Accumulated Depreciation	10,045	36,676	-	46,721
Capital Assets, Net	<u>\$ 53,310</u>	<u>\$109,716</u>	<u>\$ -</u>	<u>\$ 163,026</u>

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School contracted with Indiana Insurance Company for property and general liability insurance. There were no settlements exceeding coverage during 2008 or 2007.

B. Workers Compensation

The School is to pay the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State; however, the School did not pay this during 2008.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2008 and 2007, were \$10,935 and \$10,711, respectively; 100 percent has been contributed for 2008 and 2007.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, and 2007 were \$35,272, and \$26,361, respectively; 100% percent has been contributed for fiscal year 2008 and 2007.

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$1,153.69.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were \$6,144 and \$3,330, respectively; 100% percent has been contributed for fiscal year 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2008 and 2007 were \$788 and \$68, respectively; 100 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2008 and 2007 were \$2,713 and \$2,028 respectively; 100 percent has been contributed for fiscal year 2008 and 2007

8. OPERATING LEASE

The School entered into a cancelable operating lease agreement with Southern Baptist Church for classroom space and other space in a building. The terms are for July 1, 2007 through June 30, 2008. This lease for classroom facilities is payable in monthly installments of \$5,630 a month, with additional increase of \$1,000, beginning February 1, 2008. The total lease payments made in fiscal year 2008 were \$53,836.

9. CONTINGENCIES

A. Grants

The School 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. 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, 2008.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2008, the review was completed in January 2008. For the School, there was an insignificant variance between the amount received to date and the final payment made to the School. This variance will have no effect on the financial standing of the School.

C. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the School cannot presently be determined.

10. PURCHASED SERVICES

For the year ended June 30, 2008, the purchased service expenses were comprised of the following:

Professional & Technical	\$231,950
Repairs/Cleaning and Maintenance	20,289
Communications	12,968
Utilities	8,944
Contracted Craft or Trade	44,564
Total Purchased Services	<u><u>\$ 318,715</u></u>

11. MANAGEMENT'S PLAN REGARDING NEGATIVE NET ASSETS

For the year ended June 30, 2008, the School had an operating loss of (\$199,286), a working capital deficit of (\$88,304) and an unreserved net asset deficit. Vendors have agreed to work with the school understanding the situation at hand. During the fiscal year 2007-08, the school will set-up payment plans to clear the debt incurred.

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. SUBSEQUENT EVENTS

As of July 1, 2009, the School has changed its name to Aspiring to Excellence in Achievement Academy (ATEA).

13. NONCOMPLIANCE

The School did not comply with some requirements regarding the design and implementation of controls for financial reporting and other various revised code requirements.

14. RELATED PARTY TRANSACTION

During the audit period, the School paid for startup services from BBAJ Consultant Services and SimpHouse Education Consulting. The costs were incurred before the school opened and an agreement was made for the debt to be repaid once the School had sufficient cash flows. Vivian Strickling is the Executive Director and Superintendent of the School, as well as the owner of BBAJ Consultant Services. The School made six payments to BBAJ Consultant Services from February 2008 to June 2008 totaling \$12,000. Angela Houston was the Board President during the audit period and the owner of SimpHouse Education Consulting. The School made six payments to SimpHouse Education Consulting from November 2007 to April 2008 totaling \$4,824..

In addition, the School purchased books, educational pamphlets, and other supplies from Chellrone's. Geraldine St. Clair is the Office Manager and the owner of Chellrone's. The School made one payment to Chellrone's in June 2008 totaling \$2,500.00.

Also for FY2008 the School gave a computer and monitor to both the School's Valedictorian and Salutatorian. Brooke Strickling, the Executive Director/Superintendent's daughter, was the Valedictorian in 2008 and received a computer and monitor in the value of \$550.



Mary Taylor, CPA

Auditor of State

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

Nia University Community School
Hamilton County
7030 Reading Road
Suite 134
Cincinnati, Ohio 45237

To the Board of Directors:

We were engaged to audit the basic financial statements of Nia University Community School, Hamilton County, Ohio (the School), as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 16, 2009, wherein we disclaimed our opinion due to the lack of written representations from management. We also noted the School incurred an operating loss and negative net assets balance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting but not to opine on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-011, 2008-012, 2008-018 through 2008-023 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2008-021 and 2008-022 are also material weaknesses.

We also noted certain internal control matters that we reported to the School's management in a separate letter dated October 16, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-010, 2008-013 through 2008-017, and 2008-022 through 2008-024.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated October 16, 2009.

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 16, 2009

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Finding for Recovery-Partially Repaid Under Audit

Per Board of Directors' minutes dated June 25, 2008, the Board of Directors approved to pay Board members \$125 per meeting for fiscal year 2008.

The School issued Check #4783 to Angela Houston in the amount of \$1,125 (payment for attending 9 meetings) for her compensation as a Board Member. The Board minutes showed she attended 8 meetings, which would amount to \$1,000 in compensation. She was overpaid \$125. The School's Treasurer, Rochelle Shields signed this check for payment.

The School issued Check #4784 to Christine Ramsey in the amount of \$1,250 (payment for attending 10 meetings) for her compensation as a Board Member. The Board minutes showed she attended 9 meetings, which would amount to \$1,125 in compensation. She was overpaid \$125. The School's Treasurer, Rochelle Shields signed this check for payment.

The School issued Check #4787 to Yirmeyahuw Yisrael in the amount of \$625 (payment for attending 5 meetings) for his compensation as a Board Member. The Board minutes showed he attended 4 meetings, which would amount to \$500 in compensation. He was overpaid \$125. The School's Treasurer, Rochelle Shields, signed this check for payment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Angela Houston in the amount of \$125, Christine Ramsey in the amount of \$125, and Yirmeyahaw Yisrael in the amount of \$125, and in favor of the Nia Community School.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, Rochelle Shields, and her bonding company Hartford Fire and Company, are liable in the amount of \$375, and in favor of the Nia University Community School to the extent that recovery is not obtained from Angela Houston, Christine Ramsey, and Yirmeyahaw Yisrael. When notified of this finding, Yirmeyahaw Yisrael reimbursed the School for \$125 on September 30, 2009.

Officials' Response:

Treasurer & Former Superintendent's Response: The three Board members have been notified. Mr. Yirmeyahaw Yisrael has paid to NIA University the finding of overpayment. Christine Ramsey and Angela Houston have advised they will be paying their finding for recovery.

Board of Directors' Response: The Board of ATEA (Aspiring to Excellence and Achievement), formerly Nia University Community School, will direct its legal counsel to demand return of overpayments to former board members A. Houston in the amount of \$125 and C. Ramsey in the amount of \$125. In the event these funds are not collected, ATEA will seek recovery from Treasurer Rochelle Shields for \$250 or the amount not returned from former board members.

FINDING NUMBER 2008-002

Finding for Recovery-Partially Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper "Public Purpose", states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Individuals from the School attended a seminar at Pensacola Christian College regarding training for teaching a Christian based curriculum. The seminar was held July 28, 2008 through July 31, 2008. Those attending this seminar stayed in Pensacola, Florida from July 27, 2008 through August 4, 2008. The School provided no documentation and was unable to explain how the stay, from August 1, 2008 through August 4, 2008, after the seminar ended served a proper school purpose.

The School issued Check # 4739 to Hampton Inn for \$6,470.88. This payment covered 3 rooms for 8 nights. As stated above, the seminar ended on July 31, 2008 and as a result the school issued payment for hotel lodging for August 1, 2008, August 2, 2008, and August 3, 2008, which did not serve a proper school purpose. The hotel rates for August 1, 2008 and August 2, 2008 were \$289 per night per room and the rate for August 3, 2008 was \$219 per room. In addition, there was a tax and service charge of 14.5% included on the hotel costs. Therefore, payments totaling \$2,737.70 were issued for lodging costs for which there was no proper public purpose. Vivian Strickling, the School's Former Executive Director/Superintendent made the reservations for all three rooms. The School's Treasurer, Rochelle Shields, signed this check for payment.

The School issued Check #4752 to Vivian Strickling, Check #4753 to Rose Dillingham, Check #4754 to Angela Ray, Check #4755 to Janet Perry, Check #4756 to Geraldine St. Clair, and Check #4757 to Yirmeyahaw Yisrael. Each of these checks were in the amount of \$675 and were for meals for the Pensacola, Florida trip. These payments covered the nine days the individuals were in Pensacola including the extra three day stay past the seminar. The extra three days of meals total \$225 for each individual, and total \$1,350 for all six individuals. The School's Treasurer, Rochelle Shields, signed these checks for payment.

Also, for the seminar Vivian Strickling, Former Executive Director/Superintendent rented a van. The School paid a total of \$874.50 to Alamo Rent-a Car on August 7, 2008. The van was rented from July 27, 2008 through August 4, 2008; therefore the van was rented for the extra three days, which did not serve a proper school purpose. The extra three days of rental cost the School \$261.76.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Vivian Strickling in the amount of \$3,224.46, Rose Dillingham in the amount of \$225, Angela Ray in the amount of \$225, Janet Perry in the amount of \$225, Geraldine St. Clair in the amount of \$225, and Yirmeyahaw Yisrael in the amount of \$225, and in favor of the Nia University Community School.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

FINDING NUMBER 2008-002
(Continued)

Therefore, Rochelle Shields, and her bonding company Hartford Fire and Company, are liable in the amount of \$4,349.46, and in favor of the Nia University Community School to the extent that recovery is not obtained from Vivian Strickling, Rose Dillingham, Angela Ray, Janet Perry, Geraldine St. Clair, and Yirmeyahaw Yisrael. When notified of this finding, Yirmeyahaw Yisrael reimbursed the School for \$225 on September 30, 2009.

Officials' Response:

Treasurer & Former Superintendent's Response: All individuals have been contacted and they have advised they will make reimbursement for expenses incurred after the seminar had concluded. We are working on payment plans with some individuals. We have not been able to contact/locate Angela Ray.

Board of Directors' Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand return of illegal payments to former Executive Director Strickling in the amount of \$3,224.46, R. Dillingham in the amount of \$225.00, A. Ray in the amount of \$225.00, J. Perry in the amount of \$225.00, and G. St. Clair in the amount of \$225.00. To the extent that these individuals fail to return these illegal payments, ATEA will demand from School Treasurer Shields \$4,124.46 or the amount not returned by these individuals.

FINDING NUMBER 2008-003

Finding for Recovery

Ohio Revised Code, Section 149.351, states, in part, that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions."

The School issued Check #4222 to Vivian Strickling in the amount of \$1,292.66. This payment was for reimbursement of expenses (Check #4222 covered the expense report dated October 2, 2007). The payment for Check #4222 was for a cell phone reimbursement. The School only provided documents supporting \$934.75 of this reimbursement, and therefore, Vivian Strickling was overpaid \$357.91. The School could provide no evidence that this payment related to this reimbursement was for a proper public purpose. The School's Former Treasurer, Derrick Shelton, signed this check for payment.

The failure to maintain adequate support for expenditures could result in a loss of accountability over the School's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Vivian Strickling in the amount of \$357.91, and in favor of the Nia University Community School.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

**FINDING NUMBER 2008-003
(Continued)**

Therefore, Derrick Shelton is liable in the amount of \$357.91, and in favor of the Nia University Community School to the extent that recovery is not obtained from Vivian Strickling.

Officials' Response:

Treasurer & Former Superintendent's Response: Vivian Strickling will pay the overpayment of \$357.91 for cell phone bill. She is working on a payment plan.

Board of Directors' Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand return of illegal payments to former Executive Director Strickling in the amount of \$357.91. To the extent that she fails to return this illegal payment, ATEA will demand from former treasurer Derrick Shelton \$357.91 or the amount not collected.

FINDING NUMBER 2008-004

Finding for Recovery

Ohio Revised Code, Section 3314.03(A)(11)(d), requires that each contract entered between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Revised Code.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper "Public Purpose", states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The School did not provide evidence that the expenditures below were reviewed for proper public purpose.

The School issued Check #4221 to Geraldine St. Clair, Former Office Manager, in the amount of \$1,161.62. The payment was for reimbursement of items purchased at Sam's Club, in which the School provided receipts for these items. On these receipts it was noted a Reebok item in the amount of \$9.88 was purchased, an Izod item in the amount of \$14.88, and a Nautica item in the amount of \$10.43 was purchased. The School provided no evidence that these items were purchased for a proper purpose for the School. These items totaled \$35.19. The School's Former Treasurer, Derrick Shelton, signed this check for payment.

The School issued Check #4283 to Geraldine St. Clair, in the amount of \$693.41. The payment was for reimbursement of items purchased at Sam's Club, in which the School provided receipts for these items. On these receipts it was noted a Nautica item in the amount of \$10.43 was purchased and 3 Haggard items were purchased in the amount of \$14.86 each (for a total of \$44.58). The School provided no evidence that these items were purchased for a proper purpose for the School. These items totaled \$55.01. The School's Former Treasurer, Derrick Shelton, signed this check for payment.

**FINDING NUMBER 2008-004
(Continued)**

The School issued Check #4435 to Geraldine St. Clair in the amount of \$918.36. The payment was for reimbursement of items purchased at Sam's Club, in which the School provided receipts for these items. On one of the receipts it was noted an Izod item in the amount of \$14.88 was purchased. The School provided no evidence that these items were purchased for a proper purpose for the School. These items totaled \$14.88. The School's Former Treasurer, Derrick Shelton, signed this check for payment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Geraldine St. Clair in the amount of \$105.08, and in favor of the Nia University Community School.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, Derrick Shelton is liable in the amount of \$105.08, and in favor of the Nia University Community School to the extent that recovery is not obtained from Geraldine St. Clair.

Officials' Response:

Treasurer & Former Superintendent's Response: Geraldine St Clair is reimbursing the school for the Reebok, Nautica, Izod, and Haggar items.

Board of Directors' Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand return of illegal payments to Geraldine St. Clair in the amount of \$105.08. To the extent that she fails to return this illegal payment, ATEA will demand from former treasurer Derrick Shelton \$105.08 or the amount not collected.

FINDING NUMBER 2008-005

Finding for Recovery

Ohio Revised Code, Section 149.351, states, in part, that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions."

The School issued checks as noted below for teacher stipends. The School provided no invoices or receipts to support these payments. The Board of Directors approved the stipends in the Public Charter School Program federal grant budget, but did not approve the specific individuals to receive the stipends or the amounts that the individuals received. The School provided no evidence that these payments were for proper public purpose. The School's Treasurer, Rochelle Shields, signed these checks for payment.

**FINDING NUMBER 2008-005
 (Continued)**

Check Date	Check Number	Payee	Amount
6/24/08	4758	Melissa R. Harrington	\$3,500.00
6/24/08	4759	Angela Ray	1,000.00
6/30/08	4775	Kathleen Finn	1,000.00
6/30/08	4776	Patrice A. Thornton	500.00
6/30/08	4777	Christina Pitocco	1,000.00
6/30/08	4778	J. Kendall Anderson	500.00
6/30/08	4779	David Tanner	1,000.00
6/30/08	4780	Vivian Strickling	3,750.00

The failure to maintain adequate support for expenditures could result in a loss of accountability over the School's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Melissa R. Harrington in the amount of \$3,500, Angela Ray in the amount of \$1,000, Kathleen Finn in the amount of \$1,000, Patrice A. Thornton in the amount of \$500.00, Christina Pitocco in the amount of \$1,000.00, J. Kendall Anderson in the amount of \$500.00, David Tanner in the amount of \$1,000, and Vivian Strickling in the amount of \$3,750.00, and in favor of the Nia University Community School.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Therefore, Rochelle Shields, and her bonding company Hartford Fire and Company, are liable in the amount of \$12,250.00, and in favor of the Nia University Community School to the extent that recovery is not obtained from Melissa R. Harrington, Angela Ray, Kathleen Finn, Patrice A. Thornton, Christina Pitocco, J. Kendall Anderson, David Tanner, and Vivian Strickling.

Officials' Response:

Treasurer & Former Superintendent's Response: Invoices for each employee were located in the Public Charter School Program (PCSP) Grant binder. The Board approved the stipends to be paid collectively in the Board minutes. The Board was not aware that they needed to be individually approved.

Board of Directors' Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand return of public monies illegally expended as teacher stipends in the amount of \$3,500.00 from Melissa Harrington, \$1,000.00 from Angela Ray, \$1,000.00 from Kathleen Finn, \$500.00 from Patrice Thornton, \$1,000.00 from Christina Pitocco, \$500.00 from J. Kendall Anderson, \$1,000.00 from David Tanner and \$3,750.00 from Vivian Strickling. To the extent that these individuals fail to return these illegal payments, ATEA will demand from Treasurer Rochelle Shields \$12,250.00.

Auditor of State's Conclusion to Treasurer & Superintendent's Response:

As stated above, the School provided no invoices or receipts to support these payments during the audit. The Board of Directors approved the stipends in the Public Charter School Program federal grant budget, but did not approve the specific individuals to receive the stipends or the amounts that the individuals received. Invoices supporting these payments have not been provided to the auditors.

FINDING NUMBER 2008-006

Finding for Recovery

The School had an agreement with SOAR Academy, Inc. to provide treasurer services, effective July 1, 2007 through June 30, 2008. The Chief Executive Officer of SOAR is Derrick Shelton, Former Treasurer of Nia University Community School. The agreement states that SOAR “shall be paid in accordance with established benchmarks. Compensation is based on a sliding scale. Once the student population reaches each milestone, the rate of pay (%) increases as follows: 4.5% (Student population up to 80), 5.5% (when student population reaches 100 students), and 6% (when student population reaches 120 students). In the event that the student population drops below the stated benchmarks, the following scale will apply: 6% (until enrollment drops to 100 students), 5.5% (until enrollment drops to 80 students), and 4.5% (once enrollment drops below 80 students). For compensation purposes, student population will be based on monthly reported EMIS/CSADM data from previous month, i.e. December payment will be based on November numbers.”

Check # and Date	Foundation Payments	EMIS/CSADM data per ODE website	Rate of Pay per agreement	SOAR's compensation should have been	Payments actually made to SOAR
Ck. 4108 8/3/07	\$26,852.98	62.87	4.5%	\$1,208.18	\$1,197.54
Ck. 4178 9/9/07	26,655.68	62.50	4.5%	1,199.51	1,466.05
Ck. 4230 10/9/07	26,655.70	62.50	4.5%	1,199.51	3,066.56
Ck. 4279 11/9/07	51,109.32	100.92	5.5%	2,811.01	2,962.25
Ck. 4352 12/11/07	49,370.89	97.68	5.5%	2,715.40	2,637.44
Ck. 4400 1/14/08	43,957.26	88.04	5.5%	2,417.65	2,706.15
Ck. 4456 2/15/08	49,859.31	88.6	5.5%	2,742.26	2,680.48
Ck. 4498 3/13/08	48,045.17	87.53	5.5%	2,642.48	2,786.73
Ck. 4562 4/10/08	46,445.47	86.44	5.5%	2,554.50	2,668.39
Ck. 4618 5/7/08	44,473.15	85.56	5.5%	2,446.02	5,559.94
Ck. 4685 6/6/08	92,665.73	101.59	5.5%	5,096.62	5,942.19
	99,036.52	102.68	5.5%	5,447.01	
Totals	\$605,127.18			\$32,480.35	\$33,673.72

Per the amounts noted in the table above, SOAR management was overpaid \$1,193.37 (\$33,673.72 - \$32,480.35). Vivian Strickling, Former Executive Director/Superintendent, signed check numbers 4108 and 4400 for payment.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Derrick Shelton in the amount of \$1,193.37, and in favor of the Nia University Community School.

**FINDING NUMBER 2008-006
(Continued)**

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, Vivian Strickling is liable in the amount of \$299.34, and in favor of the Nia University Community School to the extent that recovery is not obtained from Derrick Shelton.

Officials’ Response:

Treasurer & Former Superintendent’s Response: Derrick Shelton has advised he will repay.

Board of Directors’ Response: The Board of ATEA, formerly Nia University Community School, will direct its legal counsel to demand return of an overpayment of \$1,193.37 by Nia to SOAR Academy and its CEO Derrick Shelton for treasurer services by Mr. Shelton. To the extent that Mr. Shelton fails to return this illegal payment, ATEA will demand repayment from former Executive Director Strickling in the amount of \$299.34 for checks she signed overpaying Mr. Shelton.

FINDING NUMBER 2008-007

Noncompliance

Ohio Revised Code, Section 3307.26, states that each teacher shall contribute eight per cent of the teacher’s earned compensation, except that the State Teacher’s Retirement Board may raise the contribution rate to a rate not greater than ten per cent of the teacher’s earned compensation. The contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable per cent of the teachers’ paid compensation for such payroll period or other period as the board may approve. All contributions on paid compensation for teachers participating in plans established under section 3307.81 of the Revised Code shall be remitted at intervals required by the State Teacher’s Retirement System under section 3307.86 of the Revised Code. Ohio Revised Code Section 3307.01 (B)(2) defines a “teacher” as any person employed as a teacher by a community school or a science, technology, engineering, and mathematics school pursuant to Chapter 3314, or 3326.

Lucy Gonzalez was employed at the School as a classroom teacher. She did not have State Teacher’s Retirement System contributions deducted from her payroll and was therefore overpaid. The State Teacher’s Retirement System office was contacted and there was no exemption form on file for Lucy Gonzalez. For the 2008 fiscal year the State Teacher’s Retirement Board raised the contribution rate to ten per cent. Ms. Gonzalez’s total payroll for fiscal year 2008 (from January 15, 2008 to June 30, 2008) was \$15,864.94; therefore, \$1,586.49 should have been deducted from her payroll by the School and remitted to the State Teacher’s Retirement system.

This matter will be referred to the State Teachers Retirement System.

Officials’ Response:

Treasurer & Former Superintendent’s Response: We will await the State Teachers Retirement System response. All future forms will be completed to ensure the school is in compliance.

Board of Directors’ Response: The Board of ATEA will await a recommendation from STRS.

FINDING NUMBER 2008-008

Noncompliance

Ohio Revised Code, Section 3314.011, provides that prior to assuming the duties of fiscal officer, the fiscal officer must be licensed under Ohio Revised Code, Section 3314.074, or must complete not less than sixteen hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the community school.

Any fiscal officer who is not licensed under Ohio Revised Code, Section 3314.074, must complete an additional twenty-four hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer. Any hours in excess of sixteen hours completed by the fiscal officer prior to assuming their duties will count toward the additional twenty-four hours of continuing education required under this section.

In each subsequent year, any fiscal officer not licensed under Ohio Revised Code Section 3314.074 must complete eight hours of continuing education classes, courses or workshops in school accounting as approved by the sponsor of the school.

The School's former Treasurer, Derrick Shelton, was neither licensed under Ohio Rev. Code Section 3314.074 nor was there evidence that he attended the necessary training. Failure to hire a properly licensed Treasurer or have them attend the necessary training could result in financial transactions being null and void. We recommend that the School only designate a licensed Treasurer and/or require them to attend the necessary training.

Officials' Response:

Treasurer & Former Superintendent's Response: The Financial Profile form was sent to the Ohio Department of Education.

Board of Directors' Response: The Board of ATEA currently employs a licensed school treasurer.

FINDING NUMBER 2008-009

Noncompliance

Ohio Revised Code, 2921.42(A)(4), states "no public official shall knowingly do any of the following:...have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected."

During the audit period, the School paid for startup services from BBAJ Consultant Services and SimpHouse Education Consulting. The costs were incurred before the school opened and an agreement was made for the debt to be repaid once the School had sufficient cash flows. Vivian Strickling was the Executive Director and Superintendent of the School, as well as the owner of BBAJ Consultant Services. The School made six payments to BBAJ Consultant Services from February 2008 to June 2008 totaling \$12,000. Angela Houston was the Board President during the audit period and the owner of SimpHouse Education Consulting. The School made six payments to SimpHouse Education Consulting from November 2007 to April 2008 totaling \$4,824.

In addition, the School purchased books, educational pamphlets, and other supplies from Chellrone's. Geraldine St. Clair was the Office Manager and the owner of Chellrone's. The School made one payment to Chellrone's in June 2008 totaling \$2,500.

Also for FY2008 the School gave a computer and monitor to both the School's Valedictorian and Salutatorian. Brooke Strickling, the Executive Director/Superintendent's daughter, was the Valedictorian in 2008 and received a computer and monitor in the value of \$550.

**FINDING NUMBER 2008-009
(Continued)**

We recommend the School consult with their legal counsel to review the requirements of Revised Code Section 2921.42 to ensure that all public officials and employees are transacting School business in accordance with Ohio Ethics Laws.

These matters will be referred to the Ohio Ethics Commission.

Officials' Response:

Treasurer & Former Superintendent's Response: We will await the response of the Ohio Ethics Commission. The Board of Directors is responsible for monitoring and approving all contracts.

Board of Directors' Response: The Board of ATEA will await a recommendation from the Ohio Ethics Commission.

FINDING NUMBER 2008-010

Noncompliance

Ohio Revised Code, Section 2921.42(A)(1), states that no public official shall knowingly do any of the following authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

During the audit period, the School paid children of the Former Executive Director/Superintendent, Vivian Strickling, for miscellaneous work. Brooke Strickling, the Executive Director/Superintendent's daughter, received a total of \$936 during fiscal year 2008 for, according to payment descriptions provided by the School, "working to market the School at a Block Party", "helping move auction goods to the school building", and "holding the Director position of the L3P Program." Joseph Strickling, the Executive Director/Superintendent's son, received a total of \$150 during fiscal year 2008 for, according to payment descriptions provided by the School, "working to market the School at a Block Party", "helping move auction goods to the school building", and for "winning a Stomp Competition." A.J. Strickling, the Executive Director/Superintendent's son, received a total of \$410 for, according to payment descriptions provided by the School, "helping move auction goods to the school building" and for "performing janitorial work for six days."

We recommend the School consult with their legal counsel to review the requirements of Revised Code Section 2921.42 to ensure that all public officials and employees are transacting School business in accordance with Ohio Ethics Laws.

These matters will be referred to the Ohio Ethics Commission.

Officials' Response:

Treasurer & Former Superintendent's Response: We will await the response of the Ohio Ethics Commission. The Board of Directors is responsible for monitoring and approving all contracts.

Board of Directors' Response: The Board of ATEA will await a recommendation from the Ohio Ethics Commission.

FINDING NUMBER 2008-011

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The School did not reconcile its bank balances to fund balances during the audit period. Accurate reconciliations are a basic and essential internal control component for sound fiscal management. School officials rely on accurate reconciliations to make sound financial decisions.

The School did not properly reconcile its general checking account during the audit period as indicated by the following:

- A check was not properly recorded on the General Ledger resulting in the School not properly reconciling at June 30, 2008 by \$375

Failure to accurately prepare and reconcile the accounting records reduces the accountability over school funds and reduces the Board's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the financial statements will be misstated. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well, as ensure that all recorded transactions have been deposited with the financial institution.

We recommend that the Treasurer perform reconciliations between the bank balance and computer generated general ledger balance monthly. The reconciled checking account balance (bank balance, less outstanding checks, plus deposits in transit) should equal the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a board member review and sign off on the reconciliation thereby indicating approval and assist in the timeliness of reconciliations.

Officials' Response:

Treasurer & Former Superintendent's Response: The previous Treasurer had recorded the wrong amount. The new Treasurer, during the review, discovered the error and noted in the financial books. All reconciliations are being performed. The School will be on state software beginning July 1, 2010.

Board of Directors' Response: The ATEA Board has directed its current Treasurer Rochelle Shields to perform monthly reconciliations between the bank balance and computer-generated general ledger. The Board has adopted new bylaws that provide for the election of a Board treasurer, who will review and sign off on the school treasurer's monthly reconciliation.

FINDING NUMBER 2008-012

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received, the type of disbursement made, or the fund that disbursements or transfers are made from.

The following conditions were identified during testing of the School's capital assets:

**FINDING NUMBER 2008-012
(Continued)**

- If various assets were purchased on one disbursement then the assets were all capitalized together instead of being capitalized separately or grouping like-items
- Software, warranties, maintenance agreements, and service plans were capitalized and should not have been (\$8,355)
- A portion of a computer system and the related wiring was not capitalized (\$3,228)
- Repairs to the gym roof were capitalized and should not have been (\$4,590)
- Tag numbers were not used for any of the assets capitalized
- The School does not have a capital asset policy other than the general policy described in the notes to the financial statements
- Depreciation expense was miscalculated and a consistent depreciation method was not used to calculate depreciation for all assets (\$26,137). This adjustment was posted to the financial statements. (Upon consultation with the Treasurer, it was determined the straight-line method of depreciation should be used.)
- Two digital cameras purchased were never capitalized and should have been (\$700)

Failure to properly record capital assets could result in misleading financial statements. In addition, understated capital assets could cause the School to acquire insufficient insurance to cover the capital assets exposing the School to a potential loss. Also overstated capital assets could cause the School to acquire excessive insurance resulting in increased expenditures.

We recommend the following to the School in regards to capital assets:

- Supporting documentation, including invoices, should be retained for all capital asset purchases
- Individual assets should be recorded as such and not grouped together with other assets unless they are like-items
- Software, repairs, warranties, maintenance agreements, and service plans are not considered capital assets and should not be capitalized
- All capital assets should be capitalized and given tag numbers
- Capital assets should be capitalized at their total cost
- The School should establish a capital asset policy which should include a definition of a capital asset, depreciation method to be used, estimated useful lives of asset groups, etc.
- The School should occasionally review the Asset Listing to ensure the accuracy of the listing, which includes reviewing the reasonableness of remaining useful lives and evaluating whether fully depreciated capital assets are still being used

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer has completed an inventory list during 2008 and scheduled to review and update in October 2009. The Treasurer has recommended the Finance/ Audit Committee review and monitor financial books.

**FINDING NUMBER 2008-012
(Continued)**

Board of Directors' Response: The ATEA Board now requires the following monitoring controls: dual signatures on checks; treasurer review of monthly reconciliation. In addition, the Board has directed the school Treasurer to provide monthly financial report summaries and to identify unusual fluctuations. Under the newly adopted Bylaws, the Board treasurer serves as liaison to assist in monitoring School accounting and financial reporting practices. The ATEA Board is considering appointment of an Audit Committee spearheaded by the Board treasurer.

FINDING NUMBER 2008-013

Noncompliance

Ohio Revised Code, Section 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The following records for the audit period could not be located for audit:

- Entire cancelled checks (i.e. fronts and backs) were not maintained for the audit period. The School was able to obtain copies of certain cancelled checks from the bank; however, the School could not locate 37 cancelled checks out of 351 (11%)
- 12 retirement participation forms (50%) and 24 state withholding forms (100%) out of 24 employee files tested
- Nine employee contracts
- Invoices for four disbursements out of 61 (7%), but we received a payment history from the vendor to verify the amounts
- Eight purchase orders out of 46 purchase orders (17%)

The School should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer has requested the financial institution (bank) to provide monthly statements and copies of all checks during the statement period. Records are maintained in a secured central location. The board is responsible for approving all employee contracts. July 1, 2009, the Treasurer created a new purchase order system that begins with a requisition system, approval by School Administrator and Treasurer, and then a purchase order is assigned.

Board of Directors' Response: The ATEA Board notes that in the transition period of replacement of the former Board of Nia University Community School and of Executive Director Strickland, documents disappeared. The ATEA Board will adopt policies and procedures for securing the records. Current administrative staff are taking a written inventory of records. Policies and procedures will require that all records be maintained in a secure central location with limited access.

FINDING NUMBER 2008-014

Noncompliance

26 United States Code §3402(a)(1) requires that, in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

26 United States Code §3102(a) requires that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

26 United States Code §3111(a) states that in addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment.

During the period tested, the School withheld \$24,023 of federal income taxes and \$5,108 of Medicare taxes, plus accrued the employer's Medicare match of \$5,108. In addition, the School had an outstanding balance at June 30, 2007 of \$21,441 for federal income taxes and Medicare taxes. Federal income taxes and Medicare taxes (including the employer's portion) are remitted together. The School paid \$39,909 to the Internal Revenue Service during the audit period resulting in an outstanding balance of \$16,771 as of June 30, 2008.

The School should remit all federal income taxes and Medicare taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

Treasurer & Former Superintendent's Response: All federal and Medicare taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due federal and Medicare taxes have been paid.

Board of Directors' Response: ATEA now timely remits to IRS all federal income taxes withheld. ATEA now timely remits to IRS all Medicare Taxes withheld.

FINDING NUMBER 2008-015

Noncompliance

Ohio Revised Code, Section 5747.06(A), requires that except as provided in division (E)(3) of the same statute, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During the period tested, the School withheld from employees, but did not remit to the Ohio Department of Taxation, \$8,507 of Ohio income taxes for fiscal year 2008. In addition, the School had an outstanding balance at June 30, 2007 of \$4,878 for Ohio income taxes that was not remitted.

**FINDING NUMBER 2008-015
(Continued)**

The School should remit all state income taxes withheld in a timely manner to the Ohio Department of Taxation. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings.

This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

Treasurer & Former Superintendent's Response: All Ohio taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due Ohio taxes have been paid.

Board of Directors' Response: ATEA now timely remits to Ohio Department of Taxation all state income taxes withheld.

FINDING NUMBER 2008-016

Noncompliance

Ohio Revised Code, Section 9.42, requires that any political subdivision or instrumentality deduct from the wages or salaries of public employees the percentage of municipal income tax applicable. Community Schools are not except from this requirement.

During the period tested, the School withheld from employees, but did not remit to the City of Hamilton, \$7,099 of city income taxes for fiscal year 2008. In addition, the School had an outstanding balance at June 30, 2007 of \$3,558 for city income taxes that was not remitted.

The School should remit all city income taxes withheld in a timely manner to the City of Hamilton. This would help reduce the possibility of a misstatement and additional expenditures to the School for fines imposed for late tax filings.

This matter will be referred to the City of Hamilton.

Officials' Response:

Treasurer & Former Superintendent's Response: All city taxes are now deducted and paid on-time through the payroll service which is monitored by the Treasurer. The past due city taxes have been paid.

Board of Directors' Response: ATEA now timely remits to City of Hamilton all city income taxes withheld.

FINDING NUMBER 2008-017

Noncompliance

Ohio Revised Code, Section 4123.38, requires that every employer mentioned in R.C. 4123.01(B)(1) shall contribute to the public insurance fund the amount of money determined by the administrator of workers' compensation, and the manner of determining contributions and the classifications of employers is as provided in R.C. Sections 4123.39 to 4123.41 and 4123.48.

In addition Ohio Rev. Code Section 3314.03(A)(11)(d) requires, in pertinent part, that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Chapter 4123 of the Revised Code.

**FINDING NUMBER 2008-017
(Continued)**

The School failed to remit premiums to the Ohio Bureau of Workers' Compensation (BWC) during audit period. To reduce the possibility of additional expenditures to the School for fines imposed for late premium filings, the School should remit premiums to the Ohio Bureau of Workers' Compensation.

This matter will be referred to the BWC.

Officials' Response:

Treasurer & Former Superintendent's Response: All Ohio Bureau of Worker's Compensation filings are now timely and in compliance. The premiums are paid through the payroll service which is monitored by the Treasurer. July 1, 2009, the Treasurer created a new purchase order system that begins with a requisition system, approval by School Administration, and then a purchase order is assigned.

Board of Directors' Response: ATEA now timely remits to Ohio Bureau of Workers' Compensation all premiums to the Ohio Bureau of Workers' Compensation.

FINDING NUMBER 2008-018

Significant Deficiency

The School is not legally required to encumber funds upon making commitments; however, the School has decided to follow encumbrance procedures required for certain other governmental entities. Ohio law requires for those entities that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet any such contract or expenditure has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

The availability of funds was not certified in 39% of the School's expenditures tested. In addition, we could not determine if the availability of fund was certified in 13% of expenditures tested because either an invoice or purchase order could not be located. Every effort should be made by the School to properly utilize the encumbrance method of accounting by certifying funds at the time of the commitment. Failure to properly certify funds could result in overspending the School's funds.

Prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that funds are or will be available prior to obligation by the School.

We recommend the School certify purchases. The fiscal officer should sign the certification at the time the School incurs a commitment. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer will not certify any purchases that do not have prior approval from the Board of Directors. If any items are purchased without following policies and procedures, the Treasurer will notify the Board immediately.

**FINDING NUMBER 2008-018
(Continued)**

Board of Directors' Response: The Board of ATEA has directed the School treasurer to certify available funds for school expenditures at the time of commitment to a purchase, to sign certifications at the time ATEA incurs a commitment, and to post approved purchase orders to proper appropriate codes, as recommended.

FINDING NUMBER 2008-019

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The School lacks management oversight over their GAAP conversion process. Accrued wages and benefits incorrectly calculated. Wages were accrued for employees who should have had any accrued wages. While testing accrued wages and benefits, we noted Intergovernmental Payable related to accrued wages were also calculated incorrectly. These miscalculations resulted in Accrued Wages being overstated by \$18,431 and Intergovernmental Payable being understated by \$4,481.

The School made adjustments to the accompanying financial statements for the above items. Failure to properly post liabilities can result in inaccurate financial statements. We recommend the School properly post liabilities. The School should review activity posted to the financial statements for accuracy. Comparisons between years may aid in the proper posting of activity. To improve accountability and record keeping, we recommend that the School use due care in preparing their financial statements.

Officials' Response:

Treasurer & Former Superintendent's Response: A new contractor has been hired to prepare the GAAP and 990 due in 2009.

Board of Directors' Response: The ATEA Board recognizes past deficiencies in oversight of the GAAP conversion process. The Board treasurer and the School treasurer are tasked to review postings to financial statements for accuracy.

FINDING NUMBER 2008-020

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received, the type of disbursement made, or the fund that disbursements or transfers are made from.

The following conditions were identified during testing of the School's expenditures:

- Certain bills were not paid timely.
- Records were not maintained in an organized fashion to facilitate finding support. Initially, the School could not locate support for 76 disbursements. The School was eventually able to find adequate support.
- The School could present no evidence that the Board reviewed and approved payment of bills.

FINDING NUMBER 2008-020
(Continued)

- The School did not use purchase orders for any of the purchases made with the checkcard.
- Due to improper documentation of pay cuts, inconsistencies in payroll payments (i.e. employees were not always paid biweekly and the payment amounts were not always the same), and missing contracts we could not determine if employees were being paid in accordance with their authorized rates/salaries.
- Seven payroll-related disbursements totaling \$21,685 were not recorded in the Payroll Ledger. Withholdings were not taken from these payments.
- Entire cancelled checks (i.e. fronts and backs) were not maintained for the audit period. The School was able to obtain copies of certain cancelled checks from the bank; however, the School could not obtain a copy of the backs of 193 checks out of 351 (55%).

A lack of internal controls increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Furthermore, failure to accurately review disbursements:

- reduces the accountability over School funds
- reduces the Board's ability to monitor financial activity and make informed financial decisions
- increases the likelihood that moneys will be misappropriated and not detected
- increases the likelihood that the School's financial statements will be misstated

A good internal control system includes procedures to help ensure management receives and processes accurate information as well as mitigate fraud, theft, or errors going unresolved.

We recommend the following to the School in regards to expenditures:

- Bills should be paid timely to ensure late fees and penalties are not incurred
- Supporting documentation should be maintained for all disbursements, including cancelled checks and invoices, and organized in a fashion to facilitate quick comparison between the support and disbursement
- All disbursements should be approved by the Board and their approval should be documented in the Board minutes
- Purchase orders should be used for all expenditures
- Proper documentation should be maintained of all payroll-related payments, including documentation of pay cuts. In an employee is not being paid according to their contract, then documentation of the change should be documented and placed in the employee's personnel file
- All payroll-related disbursements should be recorded in the Payroll Ledger and proper withholdings should be taken out

FINDING NUMBER 2008-020
(Continued)

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer provides reconciliations and receives approval from the Board. These reports are provided at regular monthly scheduled meetings. The Finance Committee, recommended by the new Treasurer, was formed so payments of bills could be reviewed and approved. The Finance Committee will also sign off on all payments.

The school utilizes a requisition/purchase order system and records all incoming invoices/bills. Payroll is recorded.

Board of Directors' Response: The Board of ATEA has directed the School treasurer timely to pay bills, to maintain supporting documentation, to present bills to the Board for review and approval, to require purchase orders for checkcard disbursements and other expenditures, and to record all pay-roll related disbursements in the payroll ledger, and to maintain copies of both sides of cancelled checks.

The ATEA board has contracted with its legal counsel for board training, including appropriate documentation in Board minutes.

FINDING NUMBER 2008-021

Material Weakness

The management of each community school is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The School's Financial Report for the fiscal year ended June 30, 2008 contained errors as follows:

- The Statement of Net Assets Unrestricted Net Assets was initially understated by \$118,879
- The Statement of Cash Flows, the Operating Loss did not agree to the Statement of Revenues, Expenses, and Changes in Net Assets. The Operating Loss was initially overstated by \$362,176
- Within the Statement of Cash Flows, the Net Cash Used by Operating Activities in the Reconciliation of Operating Loss to Net Cash did not agree to the Net Cash Used by Operating Activities in the Increases (Decreases) in Cash and Cash Equivalents. The amounts had a variance of \$332,280

In addition, many errors were noted in the Notes to the Financial Statements. Adjustments to correct the significant errors above are reflected in the financial statements, notes and accounting records.

An effective monitoring control system should be implemented by the School to assist management in detecting material misstatements in financial or other information.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objective are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

**FINDING NUMBER 2008-021
(Continued)**

Monitoring controls should assist management in detecting material misstatements in financial or other information and can include:

- Regular review of financial report summaries of sufficient detail (monthly detail revenue and expenditure reports) with independently accumulated information (budgets, past performance, etc.)
- Dual signatures on checks
- Review of revenue/expenditures
- Identification of unusual fluctuations
- Review of monthly reconciliations

In addition, the School could establish an Audit Committee to serve as a liaison between management and its auditors and assist with monitoring the School's financial reporting practices. The primary functions of such a Committee are to monitor and review the School's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the School's independent auditors before and after each audit
- Monitoring the progress of the financial and compliance audit
- Evaluating the results of the financial and compliance audit
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied

In addition, the Audit Committee should meet regularly (perhaps quarterly) to monitor the School's legal compliance, financial condition, and controls over the safeguarding of assets.

The Audit Committee can include members of the School's Board of Directors. However, it can also include representation that is independent from elected officials or management. The Committee could include professionals knowledgeable in the School's financial operations, such as attorneys or bankers.

Officials' Response:

Treasurer & Former Superintendent's Response: It is the Board of Directors responsibility to form an Audit Committee.

Board of Directors' Response: The ATEA Board has directed its current Treasurer Rochelle Shields to perform monthly reconciliations between the bank balance and computer-generated general ledger. The Board has adopted new bylaws that provide for the election of a Board treasurer, who will review and sign off on the school treasurer's monthly reconciliation.

The ATEA Board now requires the following monitoring controls: dual signatures on checks; treasurer review of monthly reconciliation. In addition, the Board has directed the school Treasurer to provide monthly financial report summaries and to identify unusual fluctuations. Under the newly adopted Bylaws, the Board treasurer serves as liaison to assist in monitoring School accounting and financial reporting practices. The ATEA Board is considering appointment of an Audit Committee spearheaded by the Board treasurer.

**FINDING NUMBER 2008-021
(Continued)**

The ATEA Board recognizes deficiencies in the policies and procedures of Nia's former board in not establishing an adequate internal control system. ATEA's Board has directed the School treasurer to develop an internal control system with the characteristics set out in this Finding.

FINDING NUMBER 2008-022

Noncompliance Citation and Material Weakness

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (A)(2)(a)(2) states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

OMB Circular No. A-133, Section .300(a) states, in part, that the auditee shall:

- a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- 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.
- c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with OMB Circular A-133, Section .310.

During the audit period, the School did not segregate the federal funds on their financial records thus federal funds were commingled.

We recommend that the School segregate their federal funds on their financial records by utilizing the Uniform School Accounting System, maintain and provide adequate documentation in support of all federal expenditures and comply with all requirements of the grant agreements. We also recommend the School implement adequate controls over their Federal programs. Failure to identify federal funds, provide adequate documentation, implement controls, and comply with grant requirements, could result in future questioned costs and potential loss of Federal financial assistance.

Officials' Response:

Treasurer & Former Superintendent's Response: The new Treasurer has advised the Board and administrators of the school that all detailed invoices are required for ODE grant approval before funds are requested.

Board of Directors' Response: The ATEA Board recognizes that the former board of Nia University Community School failed to segregate federal funds on financial records and maintain appropriate documentation in compliance with requirements of grant agreements. Both ATEA's Administration and the School treasurer have been directed to do so.

FINDING NUMBER 2008-023

Noncompliance and Significant Deficiency

A-102 Common Rule, Section .23 and OMB Circular A-110, Section .28 state that federal awards may specify a time-period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. The Public Charter School Program specifies the funding period as ending June 30, 2008. 34 C.F.R. Section 76.707 states that if an obligation is for travel then the obligation is made when the travel occurs.

The School made the following payments for travel to Pensacola Christian College:

Payment Date	Check Number	Payee	Amount
6/11/2008	4690	Pensacola Christian College	\$1,320.00
6/11/2008	4691	DWB Travel	2,722.70
6/24/2008	4739	Hampton Inn	6,470.88
6/24/2008	4752	Vivian Strickling	675.00
6/24/2008	4753	Rose Dillingham	675.00
6/24/2008	4754	Angela Ray	675.00
6/24/2008	4755	Janet Perry	675.00
6/24/2008	4756	Geraldine St. Clair	675.00
6/24/2008	4757	Yirmeyahaw Yisrael	675.00
		Total Costs	\$14,563.58

The actual travel dates were July 27, 2008 through August 4, 2008. The School used fiscal year 2008 Public Charter School Program grant funds to make these payments. Since the obligation occurs when travel occurs, these payments should have been made with fiscal year 2009 funds.

The School should ensure that payments are made during the period of availability. The School should also contact the Ohio Department of Education to determine if repayment of these funds is necessary.

Officials' Response:

Treasurer & Former Superintendent's Response: The Treasurer, along with the Finance Committee will review and approve all expenditures. The school will be on State Software beginning July 1, 2010.

Board of Directors' Response: The ATEA Board will direct the School treasurer to contact ODE to determine if repayment of these funds is necessary.

FINDING NUMBER 2008-024

Noncompliance

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(1)(j) provides that for a cost to be allowable, the expenditure must be adequately documented.

2 C.F.R. Part 225 (formerly known as OMB Circular A-87 Appendix C, Section (A)(1) also provides, in part, that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

As stated in Finding Number 2008-006 teachers were paid stipends in which the School did not provide supporting documentation. These stipends in the amount of \$12,250 were paid for with Public Charter School Program federal grant funds.

**FINDING NUMBER 2008-024
(Continued)**

As stated in Finding Number 2008-001 three Board members were overpaid for compensation for attending Board meetings in the total amount of \$375. This overpayment was paid for with federal grant funds without support documenting these overpayments. The total questioned costs are \$12,625.

The School should ensure that documentation supporting costs of the Public Charter School Program is maintained to demonstrate expenditures meet the costs provisions for expenditures incurred. The School should also contact the Ohio Department of Education to determine if repayment of these funds is necessary.

Officials' Response:

Treasurer & Former Superintendent's Response: The Treasurer will discuss with the Board of Directors on how to proceed.

Board of Directors' Response: The ATEA Board will direct the School treasurer to document and maintain documentation supporting costs of the Public Charter School Program to demonstrate expenditures meet cost provisions for expenditures incurred. The Board also will direct its School treasurer to contact ODE to determine if repayment of \$12,625.00 of federal grants funds is necessary.

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**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Finding for Recovery – overpayment to employees due to retirement withholdings not being withheld	No	
2007-002	Finding for Recovery – failure to provide evidence that expenditures were for proper public purpose	No	
2007-003	Improper reconciliation of bank balances to fund balances	No	Not corrected – Reissued as Finding 2008-012
2007-004	ORC 149.351 – destruction of records	No	Not corrected – Reissued as Finding 2008-014
2007-005	26 USC 3402(a) – failure to remit federal income taxes	No	Not corrected – Reissued as Finding 2008-015
2007-006	ORC 5747.06 (A) – failure to remit Ohio income taxes	No	Not corrected – Reissued as Finding 2008-016
2007-007	26 USC 3102(a) – failure to remit Medicare taxes	No	Not corrected – Reissued as Finding 2008-015
2007-008	ORC 9.42 – failure to remit City of Hamilton taxes	No	Not corrected – Reissued as Finding 2008-017
2007-009	ORC 4123.38 – failure to remit BWC premiums	No	Not corrected – Reissued as Finding 2008-018
2007-010	Failure to implement an effective monitoring control system	No	Not corrected – Reissued as Finding 2008-022
2007-011	Lack of oversight over the GAAP conversion process	No	Not corrected – Reissued as Finding 2008-020
2007-012	Lack of internal control over expenditures	No	Not corrected – Reissued as Finding 2008-021
2007-013	2 CFR Part 225, Appendix A, Section A.2 – commingling of federal funds	No	Not corrected – Reissued as Finding 2008-023

Note: The 2008 audit was performed concurrently with the 2007 audit.



Mary Taylor, CPA
Auditor of State

**NIA UNIVERSITY COMMUNITY SCHOOL
HAMILTON 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
NOVEMBER 24, 2009**