



Dave Yost • Auditor of State

**ASPIRING TO EXCELLENCE AND ACHIEVEMENT ACADEMY
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Bank Balances - For the Fiscal Year Ended June 30, 2010	3
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	5
Schedule of Findings.....	7
Schedule of Prior Audit Findings.....	23
Independent Accountants' Report on Applying Agreed Upon Procedures.....	25

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Aspiring to Excellence and Achievement Academy
Hamilton County
c/o Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the accompanying financial statement of Aspiring to Excellence and Achievement Academy, Hamilton County, Ohio (the Academy), formerly known as Nia University Community School, as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Academy's management.

Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* require us to obtain written representations from management as part of our audit. Management has not provided the Auditor of State written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants. Additionally, auditing standards require us to obtain audit evidence as to the existence of a condition, situation, or set of circumstances indicating an uncertainty as to the possible loss to an entity arising from litigation, claims, and assessments, the period in which the underlying cause for legal action occurred, the degree of probability of an unfavorable outcome, and the amount or range of potential loss. We were unable to obtain an attorney letter concerning the accounting for and reporting of pending and threatened litigation, claims, and assessments.

The Academy failed to prepare the financial statements for the year ended June 30, 2010. Government Accounting Standards Board (GASB) Statements provide the minimum requirements for external financial reporting, which include the Management Discussion and Analysis (MD&A), the financial statements including the Statement of Net Assets, the Statement of Revenues, Expenditures, and Changes in Net Assets, and if required the Statement of Cash Flows, and the Notes to the Financial Statements.

The Academy did not maintain supporting documentation for student full-time equivalents reported to the Ohio Department of Education (ODE); the full time equivalencies are used by ODE to calculate the Academy's State Foundation Settlement payments.

The Academy did not provide sufficient audit evidence to determine completeness of accounts payables and capital assets as of June 30, 2010 and we were unable to gain these assurances through other audit procedures.

Due to the significance of the matters discussed in the preceding paragraphs, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of Aspiring to Excellence and Achievement Academy, Hamilton County, Ohio for the fiscal year ending June 30, 2010.

The Academy ceased operations and was officially dissolved on June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011, on our consideration of the Academy'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.

Generally accepted accounting principles also requires the Academy to include Management's Discussion and Analysis for the fiscal year ended June 30, 2010. The Academy has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America had determined is necessary to supplement, although not required to be part of, the financial statements.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

May 2, 2011

**ASPIRING TO EXCELLENCE AND ACHIEVEMENT ACADEMY
HAMILTON COUNTY**

**STATEMENT OF CASH BANK BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Amount</u>
Cash Bank Balances July 1, 2009	<u>\$18,765</u>
Cash Bank Balances June 30, 2010	<u>\$9,341</u>

This page intentionally left blank.



Dave Yost • Auditor of State

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

Aspiring to Excellence and Achievement Academy
Hamilton County
c/o Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

We were engaged to audit the financial statements of Aspiring to Excellence and Achievement Academy, Hamilton County, Ohio (the Academy), formerly known as Nia University Community School, as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 2, 2011, in which we did not express an opinion because we were unable to obtain documentation and evidence regarding management representations and pending and threatened litigation, claims, and assessments; the Academy failed to prepare financial statements. In addition, we noted that the Academy ceased operations and was officially dissolved on June 30, 2010.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-003 and 2010-004, 2010-008 through 2010-010, 2010-012 and 2010-013, and 2010-015 through 2010-018 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-011 described in the accompanying schedule of findings to be a significant deficiency.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 through 2010-010, 2010-012 through 2010-014, 2010-016, and 2010-017.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 2, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

May 2, 2011

**ASPIRING TO EXCELLENCE AND ACHIEVEMENT ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR ENDING JUNE 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2010-001

Noncompliance

Ohio Rev. Code, Section 3314.02(E)(3), states no present or former member, or immediate relative of a present or former member, of the governing authority of any community school established under this chapter shall be an owner, employee, or consultant of any nonprofit or for-profit operator of a community school, unless at least one year has elapsed since the conclusion of the person's membership.

Ohio Rev. Code, Section 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."

On April 30, 2009, the Board approved the resignation of Jenny Moormeier as a Board Member. At this same meeting, the Board approved Jenny Moormeier as a volunteer consultant. On October 29, 2009, ATEA signed a contract with Ms. Moormeier to be employed as a Administrative Affairs Consultant with a monthly salary of \$3,000.

From July 17, 2009 through July 31, 2009, Ms. Moormeier was issued four checks by the Academy totaling \$8,992 for Educational Consultant work. On December 1, 2009, Ms. Moormeier was issued one check by the Academy totaling \$3,000. Consultant work within one year of the person's membership on the governing authority is prohibited.

We recommend the Academy consult with their legal counsel to review the requirements of Revised Code Sections 3314.02(E)(3) and 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.

FINDING NUMBER 2010-002

Finding for Recovery

On July 21, 2009, the Board approved a bid from Just Right Carpentry LLC for \$6,334 to repair damages to Southern Baptist, the former location of the Academy. A change order and invoice for \$1,500 was submitted on August 6, 2009 increasing the total contract to \$7,834. A total of \$9,334, on check numbers 5128 in the amount of \$750, 5140 in the amount of \$1,500, 5176 in the amount of \$2,000, 5211 in the amount of \$1,500, 5220 in the amount of \$2,000, and 5262 in the amount of \$1,584, was paid to Just Right Carpentry LLC between July 2009 and November 2009 resulting in an overpayment of \$1,500.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended for is hereby issued against Just Right Carpentry LLC in the amount of \$1,500 and in favor of Aspiring to Excellence and Achievement Academy.

**FINDING NUMBER 2010-002
(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.

Former Treasurer, Rochelle Shields, signed check number 5262, resulting in the overpayment of \$1,500. Accordingly, Rochelle Shields and her bonding company, the Hartford Fire Insurance Company, are jointly and severally liable in the amount of \$1,500 and in favor of the Aspiring to Excellence and Achievement Academy to the extent that recovery is not obtained from Just Right Carpentry LLC.

FINDING NUMBER 2010-003

Noncompliance/Material Weakness

The **Ohio Rev. Code, Section 3314.17(C)**, states that each fiscal officer appointed under section 3314.011 of the Revised Code is responsible for annually reporting the community school's data under section 3301.0714 of the Revised Code. Ohio Rev. Code Section 3301.0714(B)(1)(g), requires the following data must be reported to the Ohio Department of Education:

- Attendance rates and the average daily attendance for the year

The Academy was responsible for ensuring the aforementioned student information was updated to the Ohio Department of Education's (ODE's) Community School Options Enrollment System (SOES) database. For the year ended June 30, 2010, the Academy failed to maintain student files. The Academy was also unable to obtain a list of students enrolled from the SOES database. The Academy did not maintain grade records and/or attendance records of the students, nor did any other student headcount lists exist.

Because of the lack of documentation, we were unable to ascertain the following:

- An accurate average daily membership count
- The resident district of students
- The enrollment and withdrawal dates of students

Since most State and Federal grants and entitlements are based on student attendance and socioeconomic status of students, the accuracy of funding received could not be ascertained. For the Academy this resulted in \$390,106 of 2010 foundation receipts, which could not be verified that resulted in a disclaimer of opinion.

This will be referred to the Ohio Department of Education.

FINDING NUMBER 2010-004

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-03 requires community schools to file their financial statements pursuant to Generally Accepted Accounting Principles (GAAP). Governmental Accounting Standards Board, Financial Reporting Codification Standards, (GASB Codification) Section 2200.102 provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis (MD&A);
- Basic financial statements which include
 - Government-wide financial statements:
 - Statement of Net Assets;
 - Statement of Revenues, Expenditures, and Changes in Net Assets; and
 - Statement of Cash Flows.
 - Notes to the financial statements
- Required supplementary information other than MD&A

Governmental Accounting Standards Board, Financial Reporting Codification Standards, (GASB Codification) Section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements. The more significant notes are identified as follows:

- Summary of significant accounting policies;
- Required disclosures about capital assets;
- Cash deposits with financial institutions;
- Investment;
- Commitments under non-capitalized (operating) leases;
- Debt service requirements to maturity;
- Significant contingent liabilities;
- Significant effects of subsequent events;
- Annual other postemployment benefit (OPEB) cost and net OPEB obligations;
- Annual pension costs and net pension obligations;

**FINDING NUMBER 2010-004
(Continued)**

- Significant violations of finance-related legal or contractual provisions and actions taken to address such violations;
- Construction and other significant commitments;
- Required disclosures about long-term liabilities;
- Deficit fund balance or net assets of individual nonmajor funds; and
- Interfund balances and transfers

The above notes to the financial statements are not all inclusive and additional disclosures should be made if necessary.

The Academy failed to prepare financial statements and present notes to the financial statements for the fiscal year ended June 30, 2010. These financial statements were required to be prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34 to be in conformity with Accounting Principles Generally Accepted in the United States of America.

It is vital that the Academy develop and present financial statements which are comprised of all required financial statements and disclosures. Without properly prepared financial statements, the users of the financial statement, including the Board and parents could reach improper conclusions concerning the Academy. We recommend the Sponsor of the Academy monitor the preparation of the financial statements more closely to ensure proper and timely financial reporting.

FINDING NUMBER 2010-005

Noncompliance

Ohio Rev. Code, Section 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38. Also, entities must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Academy did not prepare annual financial statements and therefore did not file their fiscal year 2010 annual report with the Auditor of State or publish notice in a local newspaper stating the report was available for inspection. Failure to file an annual report with the Auditor of State can result in penalties to the Academy. Failure to publish notice in the newspaper stating the annual report is available for inspection can result in the public being unaware of the financial operations of the Academy. We recommend the Academy file their annual report and publish notice in the newspaper that their annual report is available for inspection.

FINDING NUMBER 2010-006

Noncompliance

Ohio Rev. Code, Section 3307.26, states that 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 earned compensation for teachers participating in plans established under section 3307.81 of the Revised Code shall be remitted at intervals required by the state teachers retirement system under section 3307.86 of the Revised Code. All contributions on earned compensation for teachers participating in the plan described in sections 3307.50 to 3307.79 of the Revised Code shall be remitted to the State Teachers Retirement System by the thirtieth day of June of each year.

Due to lack of records we were unable to determine if the Academy properly remitted retirement contributions to the State Teachers Retirement System. However, \$46,824 was withheld from the Academy's foundation settlements for fiscal year 2010.

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

FINDING NUMBER 2010-007

Noncompliance

Ohio Rev. Code, Section 3309.47, states that each school employees retirement system contributor shall contribute eight percent of his compensation to the employees' savings fund. The contributions by the direction of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor for each payroll period and shall be an amount equal to the required per cent of such contributor's compensation. Each contributor shall pay with the first payment to the employees' savings fund each year a sum to be determined by the board, as provided by law, which amount shall be credited to the expense fund.

Due to lack of records we were unable to determine if the Academy properly remitted retirement contributions to the State Employees Retirement System. However \$6,648 was withheld from state foundation settlements for fiscal year 2010.

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

FINDING NUMBER 2010-008

Noncompliance/Material Weakness

26 U.S.C. Section 3402 requires an employer to deduct and withhold federal income tax from the wages of any School employees. Circular E of the Internal Revenue Service Publication 15 requires that a Form W-4 (exemptions) for federal income tax deductions be filed for each employee. If a Form W-4 is not filed by the employee, deductions are to be made as single with no dependents. Further, this publication provides that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees. Such withholdings are to be remitted to the Internal Revenue Service.

26 U.S.C. Section 3102(a) requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

Due to lack of personnel records and supporting payroll records, it could not be determined if:

**FINDING NUMBER 2010-008
(Continued)**

- form W-4 (exemptions) were filed
- the proper tax amounts were withheld from all personnel
- withholdings were properly remitted to the Internal Revenue Service.

This matter will be referred to the Internal Revenue Service.

FINDING NUMBER 2010-009

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5747.07, states in part, that every employer required to deduct and withhold any amount of taxes in section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.

Due to lack of personnel and payroll records, it could not be determined if:

- the proper tax amounts were withheld from all personnel
- withholdings were properly remitted to the State Tax Commissioner

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

FINDING NUMBER 2010-010

Noncompliance/Material Weakness

Ohio Rev. 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 exempt from this requirement.

Due to the lack of records we were unable to determine if the Academy properly remitted local tax withheld from employees to the City of Cincinnati where the Academy was located.

This matter will be referred to the local tax commissioner.

FINDING NUMBER 2010-011

Significant Deficiency

The Academy is not legally required to encumber funds upon making commitments; however, prior to the fiscal year ended June 30, 2010, the Academy followed 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.

**FINDING NUMBER 2010-011
(Continued)**

The Academy could not document that they certified the availability of funds because they did not retain purchase orders. During the fiscal year the Academy had significant unpaid invoices and payroll, which indicates that the Academy expended funds in excess of amounts appropriated.

Every effort should be made by the Academy 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 Academy's funds.

Prior certification 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 Academy's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that funds are or will be available prior to obligation by the Academy.

We recommend the Academy certify the availability of funds for purchases. The Treasurer should sign the certification at the time the Academy incurs a commitment. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2010-012

Noncompliance/Material Weakness

The Academy is required to maintain full and accurate record of their governing board meetings. *White v. Clinton Cty. Bd. Of Commrs'* (1996), Ohio Revised Code 121.22 governing public meetings is made applicable to the Academy through ORC 3314.03(A)(11)(d). Pursuant to that Ohio Revised Code Section 121.22, the minutes of a regular or special meeting of any public body shall be promptly recorded and open to the public inspection. Additionally, Section (G) states, except as provided in division (J) of this section, the members of a public body may hold an executive session only after a majority of a quorum of the public body determines, by a roll call vote, to hold an executive session and only at a regular or special meeting for the sole purpose of the consideration of any of the matters listed in (1)-(7).

Pursuant to Ohio Revised Code Sections 121.22 the Academy is required to maintain a full and accurate record of their proceedings. The minutes of a regular or special meeting of the Academy shall be promptly recorded and open to the public for inspection. *State, ex rel. Fairfield Leader v. Ricketts* (1990), 56 Ohio St.3d 97. Furthermore, Ohio Revised Code Section 121.22(G) states if a public body holds an executive session to consider any of the matters listed in divisions (G)(2) to (7) of that section, the motion and vote to hold that executive session shall state which one or more of the approved matters listed in those divisions are to be considered at the executive session.

- The Board did not maintain a complete written record of all meetings. A special meeting held July 14, 2009 and a special financial meeting held on August 17, 2009 had no minutes. Meetings were scheduled for September 2009 (and an agenda was provided for September) and November 2009 but no minutes were provided and the minute record did not state they were canceled.
- Executive sessions were held, but the reasons for the executive sessions were not always documented and were not allowable per Ohio Revised Code.
- Executive sessions were held with individuals that were not Board members.
- We could not determine who was actually on the Board and members fluctuated each meeting with attendance being documented with between 3 to 8 different Board members as the various meetings provided.

FINDING NUMBER 2010-012
(Continued)

In addition to the citation above, this failure to maintain and prepare the minutes in a prompt time frame could have also resulted in a violation of public records law had this been an official public records request. The Academy did not have a complete record of its proceedings. However, the Sponsor provided additional minutes which were furnished to them. Ohio Revised Code Section 149.43 (B)(1) states "Upon request and subject to division (B)(8) of this section, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours..." By failing to prepare the minutes of the four meetings listed above and the August and September meetings in which the Academy only provided agendas, the Academy would have been in violation of this ORC requirement had an official public records request been made.

The minute records were incomplete. Therefore, we were unable to gain assurances regarding the Board's actions and deliberations. Additionally, management did not provide 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.

FINDING NUMBER 2010-013

Noncompliance/Material Weakness

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into 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 Rev. Code.

Ohio Rev. Code, Section 149.43(B), states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

In addition, **Ohio Rev. Code, Section 3314.03(A)(8)**, requires that each contract entered into between a sponsor and the governing authority of a community school shall require the school to maintain financial records in the same manner as all public school districts in the State of Ohio.

The following conditions existed during the fiscal year ended June 30, 2010.

- The Academy did not maintain proper supporting documentation for amounts recorded in their ledgers for capital assets and accounts payable.
- We identified numerous invoices and other payables that the Academy did not pay. Because the Academy did not enter all liabilities into their accrual basis system, and outstanding invoices not presented for audit, we cannot determine the amount of payables actually due by the Academy.

The lack of organized and complete accounting records decreased the Academy's ability to monitor its financial position. Also, without complete evidential matter we were unable to gain assurance over the completeness, existence, accuracy, or rights of the Academy's capital assets and accounts payable, and related transactions which contributed to the issuance of a disclaimed financial statement opinion.

FINDING NUMBER 2010-014

Noncompliance

The Ohio Department of Education requires certain procedures to be performed by the Academy and Sponsor when a community school ceases operations. The Sponsor is required to complete and sign the assurances to ODE that the proper notifications occur, records are properly distributed and assets are properly disposed with dates recorded when each step has been performed. These steps include a final FTE review and scheduling of the final state audit within 30 days of closure of the school. Ohio Revised Code Sections 3314.015 (C), 3314.03 (D), and 3314.074 further detail these requirements.

The following steps in each of the three sections of the assurances have not yet been addressed by the Academy:

Section 1: Initial Notifications, Student Records and School Records:

Step 7: Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using the CCIP.

Section 2: Disposition of Assets

Step 1: Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities. Account for all school property throughout the closing process by distinguishing state from federal dollars.

- a. Establish the fair market (initial and amortized) value via capital assets policy for all capital assets;
- b. Establish check off list of purchases with proper USAS codes (599), state codes (001,499), the price of each item and identify the source of funds;
- c. Establish legal authority for payments processes(e.g. checks, cash, credit cards, etc);
- d. Establish disposition plan for any remaining items; and
- e. Identify any State Facilities Commission guarantees.

Step 3: Utilize only state dollar, auction proceeds, foundation dollars and any other non-federal dollars to pay the following in order:

- a. STRS/SERS/retirement and other adjustments;
- b. Teachers and staff;
- c. Audit preparation (prepared financials);
- d. Private creditors;
- e. Foundation overpayments;
- f. Resident school districts pro-rated for students attending the community school.

**FINDING NUMBER 2010-014
(Continued)**

Section 3: Preparation of Itemized Financials

Step 1: Review and prepare the following itemized financials:

- a. Fiscal-year end financial statements;
- b. A cash analysis (taking the previous month's recap and determining the cash balance as of the closing date);
- c. A list of compiled bank statements for the year and give to the sponsor;
- d. A list of investments in paper hard copy format and provide to the Sponsor;
- e. A list of payables and determine when a check to pay the liability clears the bank;
- f. A list of all unused checks (collect and void all unused checks);
- g. A list of any petty cash and provide to sponsor;
- h. A list of bank accounts, closing the accounts once all transactions are cleared;
- i. A list of all payroll reports including taxes, retirement, or adjustments on employee contract; and
- j. A list of all accounts receivable.

Step 2: Arrange for and establish a date for an independent accounting firm or the Auditor of State to perform a financial closeout audit.

As of March 31, 2011 the Academy had three checking accounts open: the main account had a balance of \$19,992.91; a PTO account with a balance of \$388.57; and a payroll account with a balance of \$679.50. The Academy should address all required procedures and utilize remaining funds to pay items noted in Step 3 above.

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

FINDING NUMBER 2010-015

Material Weakness

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. Management should also verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records and perform analytical procedures to determine the reasonableness of financial data.

**FINDING NUMBER 2010-015
(Continued)**

The following conditions existed in the Academy's cash collection cycle, accounting and bank reconciliations:

- Reconciliations provided were only the system generated reconciliations and not reconciliations prepared for the Academy as a whole with agreement to the book balance and a list of reconciling items;
- System reconciliations were not provided after November 2009;
- No comprehensive list of outstanding checks was maintained;
- The Treasurer ceased recording items to the ledgers toward the end of May 2010 so any system reconciliation generated would be incomplete;
- Items were not always recorded on the ledgers or deposited timely;
- Copies of canceled checks are not maintained consistently;
- Only the fronts of the canceled checks were provided by the bank for half of the checks provided; and
- Bank statements were not consistently maintained and had to be obtained by the Treasurer from the bank.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and that all recorded transactions have been deposited with the financial institution.

Transactions should be posted in a timely manner and deposits should be made within twenty-four hours of receipt. Failure to promptly receipt and deposit revenues may result in theft of funds. We recommend the Academy develop a policy regarding the deposit of funds. This policy should include the time frame that funds can be held before depositing and provisions and procedures to safeguard the money during the intervening period.

We recommend the Academy properly reconcile their books on a monthly basis. Any variances should be immediately investigated, justified, and adjusted for if necessary. We recommend the Academy use due care to post all transactions timely and accurately.

FINDING NUMBER 2010-016

Noncompliance/Material Weakness

Education Department General Administrative Regulations (EDGAR), 34 C.F.R. Section 75.730 states that a grantee shall keep records that fully show:

- (a) The amount of funds under the grant;
- (b) How the grantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and

FINDING NUMBER 2010-016
(Continued)

- (e) Other records to facilitate an effective audit.

In addition, **OMB Circular 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**.

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. Appendix A, Section (C)(1)(i) also provides that for a cost to be allowable, the expenditure must be adequately documented.

2 C.F.R. Part 225 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.

7 C.F.R Section 210.7, (b) & (c) state, in part, that the total general and special cash assistance reimbursement paid to any school food authority for lunches served to children during the school year are not to exceed the sum of the products obtained by multiplying the total reported number of lunches, by type, served to eligible children during the school year by the applicable maximum per lunch reimbursements prescribed for the school year for each type of lunch. Additionally, to be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation. Section (C)(1) provides to ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum:

- i. Correctly approve each child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245;
- ii. Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements.

For fiscal year 2010, the Academy did not maintain attendance records as noted in Finding Number 2010-003. Due to the lack of attendance documentation maintained by the Academy, we could not determine if the amount of meals purchased from Aunty's Homemade Food, the Academy's food vendor, was reasonable based on the number of students in attendance each day.

**FINDING NUMBER 2010-016
 (Continued)**

During fiscal year 2010, the Academy segregated their federal revenues. However, the Academy did not segregate their federal expenditures on their financial records thus federal funding was commingled with all other expenditures of the Academy. The Academy was unable to provide supporting documentation for numerous items and a stack on unpaid expenditures was noted in the office of the Treasurer. We were unable to issue an opinion on payroll due to the lack of supporting personnel and payroll records. Furthermore, the Academy failed to prepare financial statements, including the schedule of expenditures of Federal awards in accordance with **OMB Circular A-133 Section .310**.

Due to the conditions noted above, if this had been a single audit as required under OMB Circular A-133, we would have questioned all of the federal expenditures of the Academy as detailed below:

Program	CFDA	Amount
National School Breakfast Program	10.553	\$ 5,289
National School Lunch Program	10.555	\$ 13,990
Special Education Grants to States	84.027	\$ 9,474
Title I Grants to Local Educational Agencies	84.010	\$ 60,971
Safe and Drug Free Schools	84.186	\$ 738
Title II, Part D, Technology	84.318	\$ 554
Improving Teacher Quality State Grants (Title II, Part A)	84.367	\$ 1,000
School Improvement Grants	84.377	\$ 21,500
Title I Grants to Local Educational Agencies - Recovery Act	84.389	\$ 16,732
Special Education Grants to States - Recovery Act	84.391	\$ 9,474
State Fiscal Stabilization Fund (SFSF) - Education - Recovery Act	84.394	\$ 24,567
		<u>\$ 164,289</u>

Further, **34 C.F.R. Section 80.43(a)** states, "If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

Failure to provide adequate documentation, establish controls, and comply with grant requirements, resulted in questioned costs and potential loss of federal financial assistance.

FINDING NUMBER 2010-017

Noncompliance/Material Weakness

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into 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 Rev. Code. **Ohio Rev. Code, Section 149.43(B)**, states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy did not present the following records for the audit period:

- Student Files
- 1099 Forms
- Seven invoices out of 40 tested in non-payroll disbursements
- System generated reconciliations for each bank account from December 2009 through June 2010
- Bank to Book reconciliations for July 2009 through June 2010
- All canceled checks from September, October, and December 2009 to June 2010 and various checks tested in the non-payroll disbursements. The backs of the canceled checks were not always provided
- Outstanding check list
- Supporting invoices for all disbursements after December 2010
- November 2009 minutes
- Support for revenue deposited after December 2009
- Capital assets records
- Account payable records
- Purchase orders
- Support for the withholding remittances from Wanner Patterson and Paycor
- Calculations for gross pay for all employees
- Retirement authorizations for withholdings for all employees
- Federal authorizations for withholdings for six employees
- State authorizations for withholdings for 19 employees
- Local authorizations for withholdings for all employees

**FINDING NUMBER 2010-017
(Continued)**

- Support for amount paid to employees in January, May and June 2010
- Sign in sheets and time sheets for all employees
- Lease for building space from Allen Temple Real Estate Foundation
- SOES reports
- Cell phone statements
- Support for highly qualified teachers
- Support for noncertificated personnel who may teach up to 12 hours a week
- Contracts for three employees
- Licenses for seven employees

The Academy 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.

FINDING NUMBER 2010-018

Material Weakness

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 Academy's expenditures and records:

- The Academy lacked controls over the expenditure process resulting in penalties and fines being assessed to the Academy, as well as, missing documentation that could have a potential impact on expenditures being either under/over stated on the financial statements.
- The Academy did not segregate its federal expenditures for each federal program which could have resulted in all federal money received/expended being included as a questioned cost.
- Due to missing contracts, missing calculation of gross pay, and missing time sheets and sign in sheets, we could not determine if employees were being paid in accordance with their authorized rates/salaries.
- The Academy ceased recording items in their ledgers at the end of May 2010 which resulted in the ledgers being understated. The Academy was unable to provide invoices for amounts still owed to vendors and other contract commitments.

**FINDING NUMBER 2010-018
(Continued)**

- The Academy did not prepare financial statements or the notes to the financial statements including the required federal disclosures due to the above conditions as well as failure to maintain and document capital assets records and the change in capital assets.

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

- reduces the accountability over Academy funds.
- reduces the Board's ability to monitor financial activity and make informed financial decisions.
- increases the likelihood that moneys will be misappropriated or misspent and not detected.
- increases the likelihood that the Academy'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 Academy in regards to expenditures:

- 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, calculations of gross pay, and time sheets/sign in sheets. If 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 withheld and support for the remittance of each withholding.

Officials' Response:

We did not receive a response from Officials for the findings above.

**ASPIRING TO EXCELLENCE AND ACHIEVEMENT ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Failure to maintain student files	No	Not corrected – Repeated as Finding Number 2010-004
2009-002	Ohio Revised Code § 3314.03(A)(11)(d) – Availability and access to public records	No	Partially corrected – Repeated as Finding Number 2010-019
2009-003	Lack of internal control over expenditures	No	Partially corrected – Repeated as Finding Number 2010-020
2009-004	2 CFR Part 225, Appendix A, Section A.2 – Commingling of federal funds	No	Not corrected – Repeated as Finding Number 2010-018
2009-005	Lack of oversight over financial report preparation and proper footnote disclosures	No	Not corrected, financial statements and notes to the financial statements were not prepared for June 30, 2010.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Aspiring to Excellence and Achievement Academy
Hamilton County
c/o Educational Resource Consultants of Ohio, Inc.
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To the Sponsor:

Ohio Rev. Code, Section 117.53, states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Aspiring to Excellence and Achievement Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board did not adopt an anti-harassment policy as of June 30, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 2, 2011

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

ASPIRING TO EXCELLENCE AND ACHIEVEMENT ACADEMY

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
MAY 17, 2011**