



Dave Yost • Auditor of State



**WEEMS CHARTER SCHOOL  
CUYAHOGA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Educational Resource Consultants of Ohio  
Attn: J. Leonard Harding, Executive Director  
Spectrum Office Tower  
11260 Chester Road, Suite 230  
Cincinnati, Ohio 45246

To Weems School and the Sponsor:

We were engaged to audit the accompanying basic financial statements of Weems School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2009. These financial statements are the responsibility of the School's management.

The School did not maintain supporting documentation for student full-time equivalencies reported to the Ohio Department of Education (ODE). The full-time equivalencies are used by ODE to calculate the School's State Foundation Settlement payments. The amount shown as Foundation Payment revenue of \$635,790 on the School's Statement of Revenues, Expenses, and Changes in Net Assets was unsubstantiated.

The School failed to prepare financial statement for the period of year ended June 30, 2009. Government Accounting Standards Board (GASB) Statements provides the minimum requirements for external financial reporting, which include the Management Discussion and Analysis (MD&A), the financial statement 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 Notes to the Financial Statements. We cannot reasonably determine the amount to be included in the financial statements.

The School did not provide supporting documentation for purchased services, materials and supplies, depreciation and miscellaneous expenditures representing 5 percent of expenditures. As a result, we were unable to gain assurance over completeness of expenditures.

The School failed to develop a capital asset accounting system, failed to maintain original supporting documentation to itemize and identify capital assets purchased, failed to identify the location of assets within the School, or develop and/or implement procedures to record capital asset additions and deletions.

The School failed to provide a general ledger, trial balances, or other supporting documentation to support the amounts presented in the financial statements. They also did not maintain documentation to support the Notes to the Financial Statements. Governmental Accounting and Financial Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. In addition, we prepared the School's financial statement and notes to the financial statement. Government Auditing Standards consider this service to impair the independence of the Auditor of State to audit the School.

We were unable to obtain evidence of Board approval of the salary and wage amounts paid to the employees. In addition, the School did not have on file employment contracts for all employees and personnel files were not available for all employees. As a result, we were not able to verify the accuracy of the amount reported on the financial statements as related to Salaries, Wages & Fringe Benefits.

The School did not provide supporting documentation for liabilities at June 30, 2009.

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. 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 School'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 School'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 regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

AU Section 337 permits auditors to rely on the judgment of lawyers and management as to the disclosure of unasserted claims. Letters of audit inquiry sent to the School's legal counsel were not responded to. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

Due to our lack of independence and since the School did not provide sufficient evidential matter or written representation as described in paragraphs two through eight above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion of these financial statements referred to above for the year ended June 30, 2009.

The School was closed on June 18, 2009 by the Ohio Department of Education due to financial viability & other contractual non-compliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, 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.



**Dave Yost**  
Auditor of State

June 30, 2011

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

Operating Cash receipts:	
Foundation Payments	\$635,790
Other Operating Revenues	<u>7,000</u>
Total operating cash receipts	<u>642,790</u>
Operating Cash Disbursements	
Wages and Benefits	271,596
Purchased Services	161,079
Miscellaneous	<u>252,067</u>
Total operating cash disbursements	<u>684,742</u>
Operating Loss	<u>(41,952)</u>
Non-operating cash receipts:	
State Subsidies	1,803
Federal Subsidies	30,467
Misc	<u>10,568</u>
Total non-operating cash receipts	<u>42,838</u>
Net receipts under disbursements	886
Cash balance, July 1, 2008	<u>(889)</u>
Cash balance, June 30, 2009	<u><u>(\$3)</u></u>

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

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**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

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

The Weems School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the school.

The School was approved for operation under contract with the Educational Resource Consultants of Ohio, Inc. (the Sponsor) for a period of five years commencing July 21, 2005 and ending on June 30, 2010. 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.

The School operates under the direction of a five member Board of Trustees. The Board is responsible for carrying out the provisions of the contract 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 control the School's instructional/support facility staffed by teaching personnel and ten classified staff members who provide services to 115 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by the Ohio Administrative Code (OAC) section 117-2-03(B) which states that "all counties, cities and school districts, including educational service centers and community schools, shall file annual financial reports which are prepared using generally accepted accounting principles," Weems School did not prepare GAAP financial statements.

**A. Basis of Presentation**

The financial statements are presented on a cash basis of accounting. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. As a result, financial statements presented in this report do not conform with GAAP. The School uses a single enterprise fund, cash basis financial statement presentation.

**B. Budgetary Process**

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

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash**

All monies received by the School are maintained in a demand deposit accounts in the name of The Weems School.

**D. Capital Assets and Depreciation**

The School did not maintain capital asset records for the period under review.

**E. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

Amounts awarded under the above named programs for 2009 school year totaled \$668,060.

**3. DEPOSITS**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. The carrying value of the School's deposits on June 30, 2009 totaled \$(3), and the bank balance totaled \$(3), all of which was covered by federal depository insurance therefore there is no custodial credit risk.

The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**4. PURCHASED SERVICES**

Purchased Service expense totaled \$161,079 for the year ended June 30, 2009

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2009, the School contracted with Stapleton Insurance & Risk Management for property and for general liability insurance but the amounts of coverage could not be determined.

**B. Worker's Compensation**

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor determined by the State.

**6. PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476 or by calling (800) 878-5853.

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 District rate is 14 percent of annual covered payroll. A portion of the Schools contribution is used to fund pension obligations with the remainder being used to fund health care benefits, for fiscal year 2009, 9.09 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 required contributions to SERS for the period under review could not be determined; however \$5,808, \$11,868, and \$6,598 were withheld from state foundation settlements for June 30, 2009, June 30, 2008, June 30, 2007, respectively.

**B. State Teachers Retirement System**

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**6. PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

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.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. For the fiscal year ended June 30, 2009, the School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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.

The required contributions to STRS for the period under review could not be determined; however \$104,500, \$119,630, and \$81,454 were withheld from state foundation settlements for June 30, 2009, June 30, 2008, June 30, 2007, respectively.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The Board's liability was 6.2 percent of wages.

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**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 the fiscal year ended June 30, 2009, employer contributions to fund health care benefits were 4.18 percent of covered payroll. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount for fiscal year 2009 the minimum pay was established was \$35,800.

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 Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions to Medicare Part B for the period under review could not be determined.

**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](http://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 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The required contribution to STRS for the period ending June 30, 2009 was \$10,450.

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**8. OPERATING LEASES – LESSEE DISCLOSURE**

Copier Lease

The School entered into an operating lease commencing September 20, 2005 for a term of 63 months for a copy machine. The copier is owned by Meritech, Inc. The lease may be renewed continuously for consecutive months after the end of the term.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2009.

<u>Year Ending June 30,</u>	<u>Copier</u>
2010	6,960
2011	<u>3,480</u>
Total	<u>\$10,440</u>

Building Lease

The School entered into a lease agreement with the Roman Catholic Diocese of Cleveland, St. John Cantius Church, 906 College Avenue SW, Cleveland, Ohio (the Church) for use of a certain portion of the St. Cantius school building, including use of classrooms, use of a gymnasium, certain equipment and furnishings, and kitchen area. The lease commenced on July 1, 2006 for a period of one year. The School had the option to renew this lease for one additional year. The lease was not officially renewed but the School remained at the same location and paid the Church \$52,500 during fiscal year 2009.

Vehicle Lease

The School has entered into operating lease agreements with TESCO Transportation LLC, for the use of two school buses. Each lease agreement commenced on September 12, 2005 and will continue for a period of 36 months. Upon inception of the lease, the School paid both the first and final month's payments. The lease was not officially renewed but the School continued to lease the buses and paid TESCO \$26,150 during 2009.

**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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

**The Weems School  
Cuyahoga County**

**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2009  
(Continued)**

**9. CONTINGENCIES (Continued)**

**B. School Closure**

On June 18, 2009, the School was closed by the Ohio Department of Education due to financial viability & other contractual non-compliance.

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# 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*

Educational Resource Consultants of Ohio  
Attn: J. Leonard Harding, Executive Director  
Spectrum Office Tower  
11260 Chester Road, Suite 230  
Cincinnati, Ohio 45246

To Weems School and the Sponsor:

We were engaged to audit the basic financial statements of Weems School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2009 and have issued our report dated June 30, 2011 in which we disclaimed an opinion upon the financial statements because the School did not prepare a Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Net Assets or Statement of Cash Flows. The School failed to provide supporting documentation for the various purchased services, materials and supplies, depreciation and miscellaneous expenditures, salaries, wages and fringe benefits, capital assets, liabilities and student foundation revenue. The School failed to provide a general ledger, trial balances, or other supporting documentation to support the amounts presented in the financial statements nor did not maintain documentation to support the Notes to the Financial Statements. The School has not presented Management's Discussion and Analysis and Management has not provided the Auditor of State written representations, nor were we able to obtain sufficient evidence regarding the completeness of unasserted claims. We also noted an independence impairment and the school closed on June 18, 2009.

### **Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the School's internal control over financial reporting as a basis for designing our procedures for expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined 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 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 and questioned costs we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 2009-001 through 2009-003 and 2009-020 described in the accompanying schedule of findings to be material weaknesses.

### 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 engagement 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 item 2008-004 through 2009-019.

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

We intend this report solely for the information and use of management, Board of Trustees, and Educational Resource Consultants of Ohio, Inc. 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, flowing style.

**Dave Yost**  
Auditor of State

June 30, 2011

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-001**

**Finding for Recovery – Material Weakness - Debit Card and Debit Memo Withdrawals**

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.

During the fiscal year 2009, withdrawals of debit card purchases were made from Weems School's bank accounts for which supporting documentation was not on file, approval of the Board of Trustees could not be verified in the minutes that were provided, nor was the purpose or necessity of the withdrawals and debit card purchases documented.

We could not verify the impact of these expenditures on the financial statements due to the lack of supporting documentation. We could not verify the purchased services, materials and supplies, and miscellaneous expenditures to the underlying financial records which caused us to disclaim our opinion.

The following is a summary of expenditures by type made during the fiscal year for which no supporting documentation was provided:

<b>Transaction Type</b>	<b>Amount</b>
Food and Beverage	\$1,736
Gasoline	5,535
Parking	272
Retail	5,030
Telephone	2,216
Internet/Computer Services	664
Insurance	300
Western Union Quick Collect	1,484
Miscellaneous	1,894
Total	<u>\$19,131</u>

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 this expenditure. *Steward 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 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.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-001 (Continued)**

**Finding for Recovery – Material Weakness - Debit Card and Debit Memo Withdrawals (Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals, jointly and severally, based on each individual's time period in the position, in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Ruby Weems, Superintendent/Treasurer	\$19,131
Rochelle Shields, Treasurer	1,641
Edward Dudley, Treasurer	8,765
Julio Valladares, Treasurer	1,802

**FINDING NUMBER 2009-002**

**Finding for Recovery – Material Weakness - Check Disbursements**

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.

During 2009, check payments were made from the Weems School's payroll and non payroll bank accounts for which supporting documentation was not on file and approval of the Board was not noted in the minutes provided.

The purpose or necessity of the checks written was not documented. Without appropriate documentation it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the School's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

The following is a summary of expenditures by type made during the fiscal year for which no supporting documentation was provided:

<u>Transaction Type</u>	<u>Amount</u>
Advertising	\$70
Automobile	345
Food and Beverage	57
Internet	311
Reimbursement	150
Total	<u>\$933</u>

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-002 (Continued)**

**Finding for Recovery – Material Weakness - Check Disbursements (Continued)**

We could not verify the impact of these expenditures on the financial statements due to the lack of supporting documentation. We could not verify the purchased services, materials and supplies, and miscellaneous expenditures to the underlying financial records which caused us to disclaim our opinion.

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 this expenditure. *Steward 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 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.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals, authorized check signatory, jointly and severally, in favor of the Ohio Department of Education:

<u>Name</u>	<u>Amount</u>
Ruby Weems, Superintendent/Treasurer	\$933
Edward Dudley, Treasurer	933

**FINDING NUMBER 2009-003**

**Finding for Recovery – Material Weakness - Board Member Bonus**

The governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. However, no individual shall be compensated more than one hundred twenty-five dollars in any month by each governing authority of which the individual is a member.

During the fiscal year 2009, check payments were made from the Weems School’s non payroll bank account for a bonus to Sonya Howard in the amount of \$2,000. No other Board members received a bonus. The minutes of September 2008 were not formally approved or signed. Additionally, there was no indication that the bonus was in payment for any additional services rendered or for a reimbursement.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sonya Howard, Board Member, in the amount of \$2,000 and in favor of the Ohio Department of Education.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-003 (Continued)**

**Finding for Recovery – Material Weakness - Board Member Bonus**

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 this expenditure. *Steward 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 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.

Accordingly, Ruby Weems, Superintendent/Check Signer, and Edward Dudley, Treasurer, are jointly and severally liable in the amount of \$2,000 and in favor of the Ohio Department of Education.

**FINDING NUMBER 2009-004**

**Noncompliance - Food Service Operations**

2 C.F.R. Part 225 Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides 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. Sections 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. 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.

We were not provided with applications for free and reduced lunch from the students, we were not provided with eligibility determinations, the School did not provide evidence that the reporting requirements were met, and no evidence was provided number of lunches and breakfasts served. We could not be determined the amount of meals purchased and served from B&M Bar B Que. The School received the following federal funds used to pay for student meals:

<b>Programs:</b>	<b>Amount</b>
School Breakfast, CFDA 10.553	\$11,429
National School Lunch, CFDA 10.555	19,038
Total	<u>\$30,467</u>

Had this been a Federal Single Audit the amounts mentioned above could have been questioned costs.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-005**

**Noncompliance - State Subsidies for Operations**

OAC 3301-91-01 states, "state funds appropriated to meet the federal matching requirement as stated in the Richard B. Russell National School Lunch Act and Child Nutrition Act of November 10, 2005 (available at [www.fns.usda.gov/cnd/Governance/Legislation/Historical/NSLA-Nov-10-2005.pdf](http://www.fns.usda.gov/cnd/Governance/Legislation/Historical/NSLA-Nov-10-2005.pdf)) shall be distributed to schools which have participated in the national school lunch program in the months schools were in session during the preceding school year".

OAC 3301-91-02 states, "state funds appropriated in each fiscal year to match federal funds shall be distributed to school districts to assist in providing free lunches to needy children in nine monthly payments beginning in September of the fiscal year for which the funds are appropriated".

OAC 3301-91-03 states, "each board of education participating in the National School Lunch Program shall report monthly the number of free lunches served by the district each month. The monthly report shall be submitted not later than the tenth of each month following the month being reported".

OAC 3301-91-04 states, "the funds appropriated to meet the federal matching requirement as stated in the Richard B. Russell National School Lunch Act of November 10, 2005 (available at [www.fns.usda.gov/cnd/Governance/Legislation/Historical/NSLA-Nov-10-2005.pdf](http://www.fns.usda.gov/cnd/Governance/Legislation/Historical/NSLA-Nov-10-2005.pdf)), shall be divided by the total number of free lunches served in the state during the preceding school year. The quotient shall be multiplied by the total number of free lunches served by each school district during the same period to determine the amount to be paid the school district".

The State School Food Service Program uses the federal requirements to determine child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245. As noted in finding number 2008-001, there were no student files provided to evidence how many students attended the school and for how long they attended the school. No records were provided documenting how many hours the school was in session and the type of instruction offered; no attendance sheets; no documentation of the enrollment/withdrawal dates of its students; no official student rosters; the School did not provide any evidence for the free or reduced applications submitted by the parents of the students. There was no evidence of the approval process of the applications and a notation or identification of which students were eligible for free or reduced lunches or meal supplements; The School did not provide any evidence they maintained a system to issue the free or reduced lunches or meal supplements benefits and updated the eligibility of children approved for free or reduced lunches or meal supplements. Therefore, the State School Food Service Program payments were unsupported;

<u>Programs</u>	<u>Amount</u>
State School Food Service Program	\$1,803

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-006**

**Noncompliance - Undocumented Enrollment for State Foundation Funding**

Ohio Revised Code, Section 3314.03(A)(11)(a) states that the contract between a sponsor and the governing authority must specify that the school will provide learning opportunities to a minimum of twenty five students for a minimum of nine hundred twenty hours per school year.

Enrollment numbers are submitted through the Education Management Information System (EMIS) to the Ohio Department of Education (ODE) and are used to determine the amount of State Foundation money each school receives. Ohio's State Funding Formula is a foundation program with an assumed local share of charge-off being subtracted from the basic program costs to determine the state formula aid. The basic program cost is the current year formula amount times the current year formula average daily membership plus the sum of four base funding supplements, called "building blocks." These building blocks are funding for intervention, professional development, data based decision making and professional development for data based decision making. The per pupil formula amount is set by the legislature.

During the audit period of July 1, 2008 through June 30, 2009, at Weems School there were no:

- Student files to show how many students attended the school and the duration of attendance.
- Records documenting how many hours the school was in session or what type of instruction were offered.
- Attendance sheets.
- Documentation over enrollment/withdrawal dates of its students besides a SOES printout which could not be verified.
- Official student rosters.

The assurance of 920 hours of instruction to each student could not be determined and, Weems School did not provide student files or support for the student attendance figures reported to Ohio Department of Education (ODE).

As a result, State Foundation payments totaling \$635,790 in fiscal year 2009 was unsubstantiated.

This matter has been referred to Ohio Department of Education (ODE).

**FINDING NUMBER 2009-007**

**Noncompliance - Five Year Forecast**

Ohio Revised Code Section 3314.03(A)(15) requires the School prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised Code.

Ohio Admin Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a board of education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the department of education.



**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-007 (Continued)**

**Noncompliance - Five Year Forecast (Continued)**

The School did not file their original five year forecast by October 31, 2008 for fiscal year 2009. The forecast was submitted to the Ohio Department of Education on February 17, 2009. There was also no evidence provided of the update of a five year revenue and expenditure forecast by the School.

**FINDING NUMBER 2009-008**

**Noncompliance - Filing of Annual Financial Reports**

Ohio Rev. Code Section 3314.03(A)(8) provides that the contract between a sponsor and the governing authority of a community school shall require that a community school maintain its financial records in the same manner as school districts. 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.

Ohio Admin. Code Section 117-2-03(B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). Governmental Accounting Standards Board (GASB)

The School did not provide cash or GAAP basis financial statements for the fiscal year ended June 30, 2009). In addition, the School did not provide financial statements on another basis of accounting.

**FINDING NUMBER 2009-009**

**Noncompliance - Record of Minutes/Holding Public Meetings**

Ohio Rev. Code § 121.22(C) provides that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Revised Code Section 121.22(F) states every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of any emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media that have requested immediate notification.

It is the Board of Trustee's responsibility to oversee the School's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the School's events and resolutions passed by the Board.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-009 (Continued)**

**Noncompliance - Record of Minutes/Holding Public Meetings (Continued)**

The Board should stay apprised of financial matters throughout the fiscal year. During the audit, we noted the following items:

- No employee salaries or employment approvals were noted in the Board minutes. Therefore, there was no evidence that these salaries and employment decisions were being approved by the Board of Trustees; and
- The School's governing body held five meetings in 2009 (Although documentation was only provided for four of the five meetings) to discuss issues such as the approval of expenditures, approving contracts, budgets, funding and the fundraising. The School did not publicize (provide evidence that the media was notified) the meeting time, place or purpose.

Failure to oversee the School's operations and stay apprised of financial matters increases the chance of theft and other fraudulent activities.

The School did not maintain any documentation to indicate Board meeting dates were made known to the public. There was no evidence that the Board had established, by rule, a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings.

**FINDING NUMBER 2009-010**

**Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters**

Ohio Revised Code Section 149.43 (B)(2) requires that entities shall have available a copy of its current records retention schedule at a location readily available to the public.

In addition, all public offices are required to create a poster describing its public records policy. The public office is required to display the poster in a conspicuous place in the public office and in all locations where the public office has branch offices, per Ohio Revised Code Section 149.43 (E)(2).

The School failed to comply with the requirements above.

Ohio Revised Code Section 3314.011 requires that the School designate an individual as the fiscal officer. The Ohio Administrative Code (OAC) Section 117-6-07 requires that the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. Subsection (B) (1) provides that the bond amount and surety is to be established by resolution of the governing authority. Subsection (B) (3) states that bonding is conditioned on the faithful performance of the employee's official duties. If an error or theft occurs without a performance bond, the School may not be able to recover any funds that are lost.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-011**

**Noncompliance - Licensed Teachers**

Ohio Rev. Code Section 3314.03(A)(10), provides that all community school classroom teachers are to be licensed in accordance with Ohio Revised Code Sections 3319.22 to 3319.31, except that a community school may engage non-certificated persons to teach up to twelve hours per week pursuant to Ohio Revised Code Section 3319.301. A permit must be issued by the Ohio Department of Education to these "non-certificated" persons in order to teach. Also, 34 C.F.R. Section 200.56, requires Title I teachers to be highly qualified as defined in this section.

During the fiscal year 2009, the School did not maintain 4 out of 7 teaching certificates (3 teaching certificates had expired), no diplomas or copies of degrees for the school's teachers. There was also no evidence that any certification or degree was verified by the School. Along with this, the School did not maintain any documentation to support the hiring of non-certified personnel, or "highly qualified" personnel for title programs. Also, there was no supporting documentation/evidence provided that non-certificated persons limited to teach up to twelve hours per week pursuant to Ohio Revised Code Section 3319.301 complied with this limitation.

**FINDING NUMBER 2009-012**

**Noncompliance - Education Information Management System (EMIS)**

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

Section A prescribes:

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

Section B prescribes:

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

Section C prescribes:

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

Section D prescribes:

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

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-012 (Continued)**

**Noncompliance - Education Information Management System (EMIS) (Continued)**

Section E prescribes:

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

The School failed to meet the reporting and record keeping requirements as outlined above. The School did not properly file EMIS reports. There was no evidence of EMIS reports provided to the auditors for the audit period. There was no evidence of EMIS reports provided to the auditors for the audit period.

**FINDING NUMBER 2009-013**

**Noncompliance - Annual Report of Activities**

Ohio Revised Code Section 3314.03(A) (11) (g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Revised Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a school's success) and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The School failed to provide the required annual reports of its activities and progress in meeting the goals and standards as required by the above Ohio Revised Code Section, as well as, its financial status to the sponsor, the parents of all students enrolled in the school and the legislative office of education oversight for the audit period.

**FINDING NUMBER 2009-014**

**Noncompliance - Liability Insurance**

The Ohio Rev. Code Section 3314.03(11)(b) states that each contract entered into between the sponsor and the governing authority of a community school must specify that the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the school.

There was no evidence of a liability insurance policy for the time period of July 1, 2008 through June 30, 2009.

**FINDING NUMBER 2009-015**

**Noncompliance - Federal Withholding**

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.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-015 (Continued)**

**Noncompliance - Federal Withholding (Continued)**

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

- Form W-4 (exemptions) were filed;
- The proper tax amounts were withheld from all personnel; and
- Withholdings were properly remitted to the Internal Revenue Service.

This matter has been referred to the Internal Revenue Service.

**FINDING NUMBER 2009-016**

**Noncompliance - Income Tax Withholding**

Ohio Revised 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 Ohio Revised Code shall file a return and shall pay the amount required by law.

We were unable to determine if the proper amount of taxes were remitted to the State Tax Commissioner and the proper local income tax agencies.

This matter has been referred to the Ohio Department of Taxation.

**FINDING NUMBER 2009-017**

**Noncompliance - Sponsor Contract School Governing Authority Requirements**

Sponsor Contract/Agreement Between ERCO and Weems School Section II (K) state all Board members (new and veteran) will be required to annually participate in a minimum of five (5) hours of Board training within three (3) months of election or appointment to the Board.

During the audit of the School's records, there was no evidence provided the Board members of the School annually participated in a minimum of five (5) hours of Board training.

**FINDING NUMBER 2009-018**

**Noncompliance - Community School Closing Procedures**

Ohio Rev. Code Section 3314.015(E) requires the Ohio Department of Education to adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation. The guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point, after a school closes.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-018 (Continued)**

**Noncompliance - Community School Closing Procedures (Continued)**

Ohio Rev. Code Section 3314.03 (D) states the contract shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include the following: (6) Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year. When the school closes the following actions should be taken:

- Notify ODE, STRS and SERS, and the sponsor that the school is closing.
- Arrange for dissemination of all school records to students' districts of residence, with a list of all records and their destination sent to the sponsor.
- Arrange to send all school's non-student, non-personnel records to the sponsor.
- Inform the school's staff of the decision to close the school.
- Review the history of the school, provide the reasons for closing, and share the school's commitment to the staff (facilitate employment, ensure STRS and SERS contributions, clarify medical benefits, Ensure that each faculty's LPDC information is current and available to the teachers, etc.).
- Notification to the resident districts and other stakeholders of the decision to close the school.
- Inform the students and parents of the decision to close the school.
- Inform the public.
- Schedule a final Full Time Equivalency (FTE) review.
- Notify the Information Technology Center and arrange for a method by which all outstanding EMIS data will be reported.
- Notify the traditional public school district in which the community school is located and traditional public school districts providing transportation to the community school.
- Account for all school property throughout the closing (utilize fixed assets list and inventory to account for all items).
- Review the financial records of the school.
- Establish date, after school has closed to make disposition of schools property; (notify all other community schools and traditional public schools of the date of the sale).
- Make disposition of school fixed assets purchased with federal funds according to the EDGAR liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater.
- Verify that the Auditor of State has been contacted and a financial audit date established.
- Prepare financial statements for audit.
- Submit financial statements to the Auditor of State including the results of the property sales.
- Utilize proceeds and foundation dollars and any other income to pay the following order.
- STRS and SERS retirement and other adjustments, teachers and staff, employment taxes and federal taxes, audit preparation, private creditors, state treasury general revenue fund and grant status with Final Expenditure Reports (FERs) and obligations.
  
- Arrange for an accounting firm or the Auditor of State to verify the following financial information:
  - complete cash analysis;
  - compile bank statements for the year and give to the sponsor;
  - document outstanding accounts payable and clear with bank;
  - collect and void all unused checks;
  - document and provide any petty cash to sponsor;
  - close bank accounts once all transactions are cleared; and
  - verify all payroll reports including taxes and retirements.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-018 (Continued)**

**Noncompliance - Community School Closing Procedures**

No evidence was provided that all of the above closeout procedures were performed.

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

**FINDING NUMBER 2009-019**

**Noncompliance – Fiscal Officer Designation Bonding Requirement**

Ohio Revised Code Section 3314.011 requires that the School designate an individual as the fiscal officer. The Ohio Administrative Code Section 117-6-07 requires that the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. Subsection (B) (1) provides that the bond amount and surety is to be established by resolution of the governing authority. Subsection (B) (3) states that bonding is conditioned on the faithful performance of the employee's official duties. Should an error or theft occur without a performance bond, the School may not be able to recover any funds that are lost. In addition, Ohio Revised Code Section 3314.011 provides that prior to assuming the duties of fiscal officer, the officer designee shall be licensed as prescribed by section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under this section shall complete an additional twenty-four hours of continuing education within one year after assuming the duties of fiscal officer of the school.

The School did not provide all bonds or evidence of the continuing education classes for its treasurers during fiscal year 2009.

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009**

**FINDING NUMBER 2009-020**

**Material Weakness – Internal Control System**

Management and Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the School would detect errors and irregularities in a timely manner. The system of internal controls would ensure all financial transactions were properly authorized, reported and supported with documentation. The review of the Schools internal controls systems and transactions documentation noted material internal control weakness.

During our review of the records we noted the following:

- No invoices were provided for expenditures;
- Numerous cancelled checks and banks statements were missing and not consistently maintained and voided checks were not consistently maintained;
- No expenditure or revenue ledgers were provided;
- No check registers were provided for the audit period;
- Numerous electronic transfer payments were made to vendors without approval;
- Miscellaneous reimbursements were made without detailed support, such as receipts and/or other supporting documentation;
- Bank accounts were not reconciled;
- There was no evidence the Board approved expenditures prior to being made, nor did they review expenditures after they were made to ensure they were accurately recorded, necessary and for a proper public purpose;
- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the expenditure;
- The School did not have a policy in place for the procurement of goods or services;
- There was no complete listing of employees, their positions, or approved contracts;
- There were no payroll registers;
- No evidence of a capital asset listing was provided;
- A capital asset accounting system, which maintains a complete capital asset listing by location, with tag or other identification numbers and other pertinent information has not been developed;
- The School has not developed and implemented procedures to record assets as additions when purchased and deletions when disposed of through the year;
- The School does not have a listing of capital assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose; and
- A capitalization threshold was not established by the Board.

The above weaknesses and lack of record keeping greatly increased the possibility for fraud and abuse related to non payroll transactions. These weaknesses significantly reduced management's ability to effectively monitor the finances and make appropriate operating decisions. Further, it could not be determined if School over compensated the individuals and vendors during fiscal year 2009.



**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009  
(CONTINUED)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; <b>Explain:</b>
2008-001	Finding for Recovery	No	Documentation not presented
2008-002	Finding for Recovery	No	Documentation not presented
2008-003	Finding for Recovery	No	Documentation not presented
2008-004	Finding for Recovery	No	Documentation not presented
2008-005	Finding for Recovery	No	Documentation not presented
2008-006	Finding for Recovery	No	Documentation not presented
2008-007	Federal School Breakfast Allowable Expenditures	No	Reissued as 2009-004
2007-008	National School Lunch Allowable Expenditures	No	Reissued as 2009-004
2008-009	Federal Grant Allowable Expenditures	No	Corrected
2008-010	State Subsidies for Food Operations	No	Reissued as 2009-005
2008-011	Undocumented Enrollment for State Foundation Funding	No	Reissued as 2009-006
2008-012	Financial Report Filing	No	Reissued as 2009-008
2008-013	Establishment of Records Retention Policy, Public Records Policies and Posters	No	Reissued as 2009-010
2008-014	Fiscal Officer Designation Bonding Requirement	Yes	Reissued as 2009-019
2008-015	Licensed Teachers	No	Reissued as 2009-011
2008-016	Education Information Management System	No	Reissued as 2009-012
2008-017	Annual Report of Activities	No	Reissued as 2009-013

**WEEMS SCHOOL  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009  
(CONTINUED)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; <b>Explain:</b>
2008-018	Liability Insurance Documentation	No	Reissued as 2009-014
2008-019	Federal Withholding	No	Reissued as 2009-015
2008-020	Income Tax Withholding	No	Reissued as 2009-016
2008-021	Sponsor Contract School Government Authority Requirements	No	Reissued as 2009-017
2008-022	Record of Minutes/ Holding Public Meetings	No	Reissued as 2009-009
2008-023	Internal Control System	No	Reissued as 2009-020



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Educational Resource Consultants of Ohio  
Attn: J. Leonard Harding, Executive Director  
Spectrum Office Tower  
11260 Chester Road, Suite 230  
Cincinnati, Ohio 45246

To Weems School and 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 Weems School (the School) 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 in accordance with Ohio Rev. Code Section 3313.666(B).

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.

We intend this report solely for the information and use of management, Board of Trustees, and Educational Resource Consultants of Ohio, Inc. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

June 30, 2011





# Dave Yost • Auditor of State

**WEEMS SCHOOL**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 10, 2011**