



Dave Yost • Auditor of State



**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Value Learning and Teaching Academy  
Hamilton County  
1100 Sycamore Street  
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the accompanying basic financial statements of the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Value Learning and Teaching Academy, as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, The Academy has suffered recurring losses from operations and has a net asset deficiency of \$412,754. Note 17 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2012, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This statement was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

**Dave Yost**  
Auditor of State

August 2, 2012

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of V L T Academy, Hamilton County, Ohio (the Academy), and financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

**Financial Highlights**

- Net Assets totaled \$(412,754) at the close of the 2011 fiscal year's operations. The principal components are Invested Capital Assets and negative Unrestricted Net Assets due to the excess of Current Liabilities over Current Assets.
- Total Assets of \$598,694 consists of Depreciated Net Assets, Cash in Bank, Security Deposit, and Intergovernmental Receivables.
- Total Liabilities of \$1,011,448 consist of Accrued Wages and Benefits, Trade Payables and Non-Current Liabilities.

**Using this Financial Report**

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

**Statement of Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answers the question, "How did we do financially during 2011?" These statements include all assets, liabilities, revenues and expenses, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**VALUE LEARNING AND TEACHING ACADEMY  
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**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(CONTINUED)**

Table 1 provides a summary of the Academy's net assets for fiscal years 2011 and 2010.

Table 1

Net Assets				
		2011		2010
<b>Assets:</b>				
Current Assets	\$	21,952	\$	184,412
Non-Current Assets		576,742		385,439
		-----		-----
<b>Total Assets</b>		<b>598,694</b>		<b>569,851</b>
		-----		-----
<b>Liabilities:</b>				
Current Liabilities		699,930		541,192
Non-Current Liabilities		311,518		-
		-----		-----
<b>Total Liabilities</b>		<b>1,011,448</b>		<b>541,192</b>
		-----		-----
<b>Net Assets</b>				
Invested in Capital Assets		516,684		325,381
Unrestricted		(929,438)		(296,722)
		-----		-----
<b>Total Net Assets</b>	\$	<b>(412,754)</b>	\$	<b>28,659</b>
		-----		-----
		-----		-----



**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(CONTINUED)**

Table 2 shows the changes in net assets for fiscal years 2011 and 2010, as well as a listing of revenues and expenses.

Table 2  
Net Assets

	2010 - 2011	
	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Foundations Payments	\$ 5,009,480	\$ 4,940,313
Other	64,896	21,869
Non-Operating Revenues:		
Federal Grants and State Grants	2,311,120	2,066,576
Total Revenues	----- 7,385,496 -----	----- 7,028,758 -----
Operating Expenses:		
Salaries	3,346,859	2,950,012
Fringe Benefits	805,568	757,184
Purchased Services	3,183,448	2,469,223
Materials and Supplies	227,786	191,144
Depreciation Expense	211,512	301,468
Other Expenses	51,736	85,086
Non-Operating Expenses:	-	
Total Expense	----- 7,826,909 -----	----- 6,754,117 -----
Change in Net Assets	----- \$ (441,413) ----- -----	----- \$ 274,641 ----- -----

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(CONTINUED)**

Net assets decreased by \$441,413 for fiscal year 2011. Total Foundation Payments were generated by an average student population of 785. Non-Operating revenues consist of Federal and State grants, which includes \$392,681 of Nutrition Grant. Other revenue consisted of donations in the vending machines and misc. receipts. Ninety-four (94%) of Operating Expense was composed of two items- Salaries and Benefits (53%) and Purchased Services (41%). The main components of Purchased Services are Lease Payments of \$1,622,186 and Repair, Utilities, Insurance and Janitorial expenses, Caterer costs, and Security/Communication costs. Materials and Supplies were principally student related costs. Capital Assets for FY11 (\$516,684) is cost of purchased assets allocated to the assets useful lives. Principal components of Other Expenses are Sponsor Fees, Audit Fees and School Activities.

Foundation Payments increased from the previous year due to an increase in enrollment and federal stimulus funds. Federal and State grants increase stemmed from an increase in students and federal stimulus monies.

An examination of 2011 expenses vs. 2010 reveals that the total Salaries and Fringe Benefit increase of \$445,231 over 2010 explained by an average increase in pay of 1% and ability to hire more employee's due to the federal stabilization funds and Education Jobs Grant. Staffing average went up in 2011 from 69 to 73 due to Stabilization Funds and Education Jobs Grant and addition of a new building.

Purchased Services increase of \$714,225 was generated by additional buildings for 2010-2011 school year.

Materials & Supplies increase of \$36,642 was composed mainly of instructional equipment and supply. Other Expense decrease of \$33,350 was mainly due to decrease of some student extra-curricular activities.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)  
(CONTINUED)**

**Capital Assets**

At the end of fiscal year 2011 the Academy had an additional \$191,303 invested in Capital Assets. See Table 3 for details:

(Table 3)

**Capital Assets Comparison of FY 10 and FY11  
Net of Depreciation**

	2011	2010	Variance
Leasehold Improvements	\$ 159,604	\$ 98,824	\$ 60,780
Furniture, Fixtures, and Equipment	314,581	176,975	137,606
Vehicle purchased	42,499	49,582	(7,083)
Totals	<u>\$ 516,684</u>	<u>\$ 325,381</u>	<u>\$ 191,303</u>

For more information on capital assets see Note 6 to the basic financial statements.

**Current Financial Issues**

V L T Academy, Hamilton County, Ohio, was formed in 2005. During the 2010-2011 school year there were approximately 785 students enrolled in the Academy. The Academy receives its finances mostly from state aid and federal and state grants.

**Contacting the Academy's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the fund it receives. If you have questions about this report or need additional information contact Judy McConnell, CFO/Assistant to the Superintendent at V L T Academy, 1100 Sycamore, Suite 300, Cincinnati, Ohio, 45202.

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**VALUE LEARNING AND TEACHING ACADEMY**

Statement of Net Assets

June 30, 2011

**Assets**

**Current Assets:**

Equity in pooled cash and cash equivalents	\$ -
Intergovernmental receivables	21,952
Total Current Assets	<u>21,952</u>

**Non-Current Assets:**

Security deposit	60,058
Depreciable capital assets, net	516,684
Total Non-Current Assets	<u>576,742</u>

**Total Assets** 598,694

**Liabilities**

**Current Liabilities:**

Accounts payable	113,031
Overdrawn bank balance	50,752
Accrued wages and benefits	302,826
Intergovernmental payable	54,715
Compensated absences payable	43,735
Current maturities of long-term lease payable	134,871
Total Current Liabilities	<u>699,930</u>

**Non-Current Liabilities:**

Long-term lease payable, net of current maturities	53,400
Real estate taxes payable	258,118
Total Non-Current Liabilities	<u>311,518</u>

**Total Liabilities** 1,011,448

**Net Assets**

Invested in capital assets, net	516,684
Unrestricted	<u>(929,438)</u>

**Total Net Assets** \$ (412,754)

**VALUE LEARNING AND TEACHING ACADEMY**  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Fiscal Year Ended June 30, 2011

<b>Operating Revenues</b>	
Foundation payments	\$ 5,009,480
Other revenues	64,896
Total Operating Revenues	<u>5,074,376</u>
<b>Operating Expenses</b>	
Salaries	3,346,859
Fringe benefits	805,568
Purchased services	3,183,448
Materials & supplies	227,786
Depreciation expense	211,512
Other	51,736
<b>Total Operating Expense</b>	<u>7,826,909</u>
<b>Operating Loss</b>	(2,752,533)
<b>Non-Operating Revenues and Expenses</b>	
Other federal and state grants	1,918,439
Federal and state meal subsidies	392,681
<b>Total Non-Operating Revenues</b>	<u>2,311,120</u>
Change in Net Assets	(441,413)
Net Assets Beginning of Year	28,659
Net Assets End of Year	<u><u>\$ (412,754)</u></u>

# VALUE LEARNING AND TEACHING ACADEMY

## Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

	2011
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash received from foundation payment	\$ 5,009,480
Other cash receipts	64,896
Cash payments to employees for services	(3,338,542)
Cash payments for employee benefits	(808,261)
Cash payments for goods and services	(3,392,991)
Other cash payments	(51,736)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(2,517,154)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Operating grants received	2,351,499
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments for capital acquisitions	(402,815)
Principal and interest retirement	446,389
Other interest and fiscal charges	-
<b>Net Cash Provided by (Used in) Capital Financing Activities</b>	<u>43,574</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(122,081)
<b>Cash and Cash Equivalents Beginning of Year</b>	122,081
<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$ -</u></u>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating gain (loss)	\$ (2,752,533)
<b>Adjustments:</b>	
Depreciation	211,512
<b>Increase (Decrease) in Liabilities:</b>	
Accounts payable	(32,509)
Overdrawn bank balance	50,752
Accrued wages & benefits	14,961
Intergovernmental payable	(2,693)
Compensated absences payable	(6,644)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$ (2,517,154)</u></u>

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**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

V L T Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Twelve. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. V L T Academy is organized as a Non-Profit entity under Section 501c (3) of the Internal Revenue Code. The Academy was approved for operation under contract with the Educational Resources Corporation of Ohio (the Sponsor) for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a minimum five-member Board of Directors. The Board of Directors 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

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

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. Measurement Focus**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

**C. Basis of Accounting**

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

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

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**E. Cash Deposits**

All monies received by the Academy are accounted for by the Academy's Chief Financial Officer. For cash management, all cash received by the chief financial officer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "equity in pooled cash" on the accompanying statement of net assets.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. The Academy has no investments.

**F. Capital Assets and Depreciation**

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Leasehold Improvements (Life of Lease)  
Furniture and Equipment (5 years)  
Vehicles (5-8 years)

**G. Net Assets**

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**H. Operating Revenues and Expenses**

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

**I. Estimates**

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

**3. DEPOSITS**

At June 30, 2011, the Academy had a carrying value of \$(50,752) shown as overdrawn bank balance on the Statement of Net Assets. The bank balance was \$(31,946); all of the Academy's deposits were covered by the Federal Depository Insurance Corporation (FDIC).

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a policy for deposit balances not covered by depository insurance.

**4. RECEIVABLES**

Receivables of \$21,952 at June 30, 2011, were intergovernmental items outlined below:

June School Nutrition Payments	\$ 18,512
Federal funds (Title IIA)	<u>3,440</u>
	<u>\$ 21,952</u>

All receivables are considered collectible in full and will be received within one year.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**5. SECURITY DEPOSIT**

The lease stipulates that advance rent payments be made at the beginning of the lease that will be credited to the Academy's rental payment during the last year of the lease term. Accordingly, \$50,029 was remitted for the 1100 Sycamore Street lease during the 2006 fiscal year. In August of 2006, the second and final advance rent installment of \$10,029 was remitted to the Landlord.

**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011:

	Beginning Balance <u>7/1/2010</u>	Additions	Retirements	Ending Balance <u>6/30/2011</u>
<u>Depreciable Capital Assets</u>				
Leasehold Improvements	\$ 758,948	\$ 126,058	\$ -	\$ 885,006
Furniture and Equipment	600,390	276,757	-	877,147
Vehicles	56,665	-	-	56,665
	<u>1,416,003</u>	<u>402,815</u>	-	<u>1,818,818</u>
<u>Accumulated Depreciation</u>				
Leasehold Improvements	660,124	65,278	-	725,402
Furniture and Equipment	423,415	139,151	-	562,566
Vehicles	7,083	7,083	-	14,166
	<u>1,090,622</u>	<u>211,512</u>	-	<u>1,302,134</u>
<u>Net Capital Assets</u>				
Leasehold Improvements	98,824	60,780	-	159,604
Furniture and Equipment	176,975	137,606	-	314,581
Vehicles	49,582	(7,083)	-	42,499
	<u>\$ 325,381</u>	<u>\$ 191,303</u>	<u>\$ -</u>	<u>\$ 516,684</u>

**7. RISK MANAGEMENT**

**A. Property and Liability**

The Academy 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.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

For fiscal year 2011, the Academy contracted with Wells Fargo Insurance Agency for property and general liability insurance. General Liability, provided by Wells Fargo Insurance Company contains a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate and \$10,000,000 Umbrella. There is a \$2,500 deductible on the policy.

**B. Workers Compensation**

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate amount among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The Academy's required contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were approximately \$144,043, \$238,853, and \$208,772, respectively which equaled the required contributions each year.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a state-wide, cost-sharing multiple-employer public employee retirement system for licensed teachers and other faculty members employed by the School District. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by

Chapter 3307 of the Ohio Revised Code. STRS Ohio issued a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a bi-weekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14%. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Academy's required contributions to STRS Ohio for the years ended June 30, 2011, 2010, and 2009 were approximately \$208,916, \$388,313, and \$329,103, respectively. These contributions are withheld from the monthly foundation monies. 100% of the required contributions have been made for all three fiscal years.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POST EMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2010, (the latest information available) the balance in the Fund was \$2.8 billion. For the year ended June 30, 2010, net health care costs paid by STRS Ohio were \$370.1 million and STRS Ohio had 135,721 eligible benefit recipients.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2011 and June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1% percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions to STRS Ohio allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009 were approximately \$25,989, \$29,870, and \$25,316, respectively, which equaled the required contributions.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 17.5 percent of the premium.

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69.



**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. POST EMPLOYMENT BENEFITS (Continued)**

Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. The Academy contributions for the years ended June 30, 2011, 2010, and 2009 were approximately \$7,820, \$19,970, and \$17,455, respectively, which equaled the required contributions.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-cover payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fun. The Academy's contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$14,713, \$17,455, \$8,244, respectively.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**9. POST EMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of services, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the VLT Academy Board of Education. All employees who work more than 25 hours a week accumulate up to three personal days and five sick days each year. Administrative personnel receive vacation leave during summer hours.

**B. Insurance Benefits**

The Academy has purchased insurance from the McGohan Brabender Insurance Agency to provide employee medical/surgical and dental benefits. The Academy pays 80% of the monthly premium for employees only.

**11. OPERATING LEASE**

The Academy is currently committed under five non-cancelable leases with Sun Building Partners Ltd, specifically for the use of their school buildings. The leases are floors Basement-7 at 1100 Sycamore Street (Lease 1 and 2), and 316 Reading Road Cincinnati, Ohio (Lease 3) and 308 Reading Road Cincinnati, OH (Lease 4), and 209 E. 12<sup>th</sup> Street Cincinnati, OH (lease 5).

The Academy recognized an expense of \$1,622,186 during the fiscal year ended June 30, 2011. The landlord grants one option of five years to extend this lease beyond the initial lease period at a lease rate to be negotiated with the landlord and consummated at least sixty days prior to the end of any lease period. The annual lease amount is adjusted by the average increase in the U. S. Consumer Price Index for the twelve months from June 1 to May 31 for each year of the lease.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**11. OPERATING LEASE (Continued)**

The minimum lease payments under the non-cancelable leases are as follows:

	Lease 1 Sycamore Floors 3-7	Lease 2 Sycamore Basement - 2	Lease 3 316 Rding	Lease 4 308 Rding	Lease 5 12th Street	Total
FY2012	\$396,000	\$ 194,268	\$ 126,576	\$ 237,696	\$ 450,000	\$ 1,404,540
FY2013	396,000	194,268	126,576	237,696	450,000	1,404,540
FY2014					450,000	450,000
FY2015					450,000	450,000
FY2016						-
<b>Total</b>	<b>\$792,000</b>	<b>\$ 388,536</b>	<b>\$ 253,152</b>	<b>\$ 475,392</b>	<b>\$ 1,800,000</b>	<b>\$ 3,709,080</b>

**12. DEBT**

The Academy had been working with Sun Building regarding the real estate taxes. Sun Building hired an attorney to help with a case to the Supreme Court where the Academy would not be liable for real estate taxes since we are a non-profit organization. A final determination was made December 15, 2011 that the Academy will not have to pay any taxes starting with Calendar year 2011 but is responsible for all previous taxes. Sun Building did not require the Academy to pay the taxes while the case was being reviewed. A payment plan has been set up with the landlord to pay the taxes.

VLT Academy had a few months where we needed a loan. We were able to negotiate with the Landlord not to pay Sun Building for a few months but pay it back in FY12. We did stay current with our rent to Triage.

Year Ended June 30, 2011

Description	Issue Date	7/1/2010 Balance	New Debt Issued	Principal Retired	6/30/2011 Balance
Long Term - real estate tax (SUN Building)	3/11/2010	\$ -	\$ 258,118	\$ -	\$ 258,118
Back rent payable	10/31/2010	-	188,271	-	188,271
		<u>\$ -</u>	<u>\$ 446,389</u>	<u>\$ -</u>	<u>\$ 446,389</u>

The back rent payable is made up of a current portion and non-current portion as follows

Current portion - back rent payable	\$ 134,871
Long term - back rent payable	<u>53,400</u>
	<u>\$ 188,271</u>

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**B. State Funding**

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2011 the review has not been completed. The Academy does not believe that any variance between the amount received to date and the final payment made to the Academy will have any effect to the Academy's financial standing.

**C. Litigation**

None.

**14. RELATED PARTY TRANSACTIONS**

The Academy paid \$295,273 in custodial and maintenance services to CEED during fiscal year 2011. The owner of CEED is married to the Superintendent of VLT Academy. Clyde Lee, husband of the Superintendent, is an employee of VLT Academy at a salary of \$70,000. His job title is Project Manager. His salary did change voluntarily on 2/11/11. He started with a contract at \$80,000 and willingly took a \$10,000 pay cut to help the Academy from laying off others.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**15. PURCHASED SERVICES**

For the year ended June 30, 2011, purchased service expenses were comprised of the following:

School site lease	\$1,622,186
Sponsor fees	148,663
Property insurance	16,048
Utilities	212,941
Staff development	100,079
Legal fees	7,853
Accounting fees	1,500
Student testing	133,711
Payroll processing	9,234
Security service	81,572
Internet service	8,991
Copier maintenance	11,436
Textbooks	567
Student transportation	13,104
Communications	54,445
Postage	3,490
Family/Community events	9,655
Food Service contract	363,482
Janitorial service	295,273
Repair & maintenance	69,224
State software (EMIS)	10,510
Advertising	5,811
All other	<u>3,673</u>
<b>Total</b>	<b><u>\$3,183,448</u></b>

**16. SUBSEQUENT EVENTS**

On September 1, 2011, the Academy entered into an operating lease agreement with Litvak Holdings, LLC. The agreement states that the Academy may lease the space owned by Litvak Holdings, LLC, which is located at 1607 Mansfield Street, Cincinnati, Ohio for a period of five years beginning September 1, 2011 and ending August 31, 2016. The minimum lease payments per the agreement is \$336,000 per year for each of the five years. The Academy will use the space for kindergarten and first grade classrooms.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**17. MANAGEMENT'S PLAN FOR NET ASSET DEFICIENCY**

As of June 30, 2011, the Academy had a net asset deficiency of \$412,754 and for the fiscal year ended June 30, 2011, the Academy had an operating loss of \$2,752,533.

Management has a plan to address the net asset deficiency and operating loss. For the fiscal year 2012 school year, management will begin implementing various cost cutting measures, including but not limited to, removing excessive administrative positions, reductions in staff salaries, and negotiating with vendors for price reductions. In addition, the Academy is looking to increase enrollment through a proactive marketing campaign and is currently applying for additional grant funding from the State and Federal government.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>US DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through Ohio Department of Education:			
Nutrition Cluster:			
School Breakfast Program	10.553	\$ 17,871	\$ 17,871
National School Lunch Program	10.555	358,253	358,253
<b>Total U.S. Department of Agriculture-Nutrition Cluster</b>		<b>376,124</b>	<b>376,124</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through Ohio Department of Education:			
Special Education Cluster:			
Special Education Grants to States:			
IDEA Part B	84.027	142,513	147,935
IDEA Part B ARRA	84.391	16,632	15,376
<b>Total Special Education Cluster</b>		<b>159,145</b>	<b>163,311</b>
Grants to Local Educational Agencies:			
Title I	84.010	926,242	871,358
ARRA - Title I, ARRA	84.389	18,916	62,170
<b>Total Title I Cluster</b>		<b>945,158</b>	<b>933,528</b>
Title II D - Technology Literacy Challenge	84.318	2,894	2,804
Title II-A - Improving Teacher Quality	84.367	29,732	30,732
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	84.394	422,553	369,350
ARRA - Race to the Top	84.395	89,246	86,726
Education Jobs Fund	84.410	308,891	308,891
<b>Total Department of Education</b>		<b>1,957,620</b>	<b>1,895,342</b>
<b>Totals</b>		<b>\$ 2,333,744</b>	<b>\$ 2,271,466</b>

The accompanying notes to this schedule are an integral part of this schedule.

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Academy (the Government's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.





# 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*

Value Learning and Teaching Academy  
Hamilton County  
1100 Sycamore Street  
Cincinnati, Ohio 45202

To the Board of Directors:

We have audited the basic financial statements of the Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 2, 2012, wherein we noted the Academy is experiencing financial difficulties. We conducted our audit in accordance with 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*.

### 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 and questioned costs 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 2011-003 and 2011-004 described in the accompanying schedule of findings and questioned costs 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 2011-005 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

### 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 and questioned costs as items 2011-001, 2011-002 and 2011-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated August 2, 2012.

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

We intend this report solely for the information and use of management, the board of directors, the Community School's sponsor, and federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 2, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Value Learning and Teaching Academy  
Hamilton County  
1100 Sycamore Street  
Cincinnati, Ohio 45202

To the Board of Directors:

### Compliance

We have audited the compliance of Value Learning and Teaching Academy, Hamilton County, Ohio (the Academy), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Academy's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

As described in findings 2011-007 and 2011-008 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Activities Allowed or Unallowed, for its Education Jobs Fund, and cash management in its State Fiscal Stabilization Fund and Title I Cluster major federal programs. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Value Learning and Teaching Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-007 and 2011-008 to be material weaknesses.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Academy's management in a separate letter dated August 2, 2012.

We intend this report solely for the information and use of management, the board of directors, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

August 2, 2012

**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, Part A Cluster CFDA 84.010 and 84.389 State Fiscal Stabilization Fund CFDA 84.394 Education Jobs Fund CFDA 84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-001**

**Noncompliance**

**Ohio Rev. Code, Section 2921.42(A)(4)**, states that no public official shall knowingly 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 he is connected.

**FINDING NUMBER 2011-001  
(Continued)**

A "public official" is defined in **Ohio Rev. Code, Section 2921.01(A)**, as any elected or appointed officer, or employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity, and includes, but is not limited to, legislators, judges, and law enforcement officers.

**Ohio Rev. Code, Section 2921.42(C)**, states that **Ohio Rev. Code, Section 2921.42**, does not apply if all of the following four requirements are met:

- Goods or services are necessary;
- Goods or services are part of a continuing course of dealing or unobtainable elsewhere for same or lower cost;
- Preferential or same treatment as others; and
- The transaction is conducted at an arm's length.

Furthermore, the **VLT Academy Business Manual Purchasing Guidelines Section Sealed Competitive Bidding Subsection**, the Academy is required to solicit bids for all expenditures for goods and services which will amount to greater than \$25,000. After receipt of the bids, the Academy's Board of Education shall approve the bid which is the most appropriate for the needs of the Academy.

The Academy approved a janitorial services bid for a vendor in which the vendor was not the lowest available bid and also the vendor's owner was an employee of the Academy and did not meet the four requirements of **Ohio Rev. Code Section 2921.42(C)**. There were a total of 4 bids made by vendors for performing janitorial services at the Academy, and the Academy chose the highest bid to execute a contract for. Supporting documentation suggests the other vendors met all requirements of the bid notice and assured they would meet or exceed those requirements. The following bids were received by the Academy to perform janitorial services for fiscal year 2011:

- CEED Janitorial Service's submitted bid was \$249,900
- Dona Rosa's Cleaning Services Inc.'s submitted bid was \$135,600
- Jani King of Cincinnati's submitted bid was \$128,352
- Red Carpet Janitorial Service's submitted bid was \$82,200

The Academy accepted the bid from CEED Janitorial Services to provide cleaning services for the Academy during fiscal year 2011 which is owned by Mr. Clyde Lee Jr. who is employed at the Value Learning and Teaching Academy as a Building Manager with an approximate salary of \$73,415.

Failure to accept the lowest bid which meets all the bidding requirements of the Academy could lead to the Academy expending unnecessary monies for services that could be performed at a lower cost to the Academy and that would still meet the Academy's expectations. Also, by accepting a public contract with a public official of the Academy could lead to the Academy possibly violating Ohio Ethics Laws.

We recommend that the Academy consult with their legal counsel to review the requirements of Ohio Rev. Code Section 2921.42 to ensure that all public officials are transacting Academy business in accordance Ohio Ethics Law and if the requirements of the exception mentioned above are applicable, to document such compliance. In addition, the Academy should review all solicited bids and award bids in accordance with the VLT Academy Business Manual Purchasing Guidelines Section Sealed Competitive Bidding Subsection.

**FINDING NUMBER 2011-001  
(Continued)**

This matter will be referred to the Ethics Commission.

**Officials' Response:**

The Academy solicited and received four bids for janitorial services. Each bid was formatted differently and proved difficult to compare. Among other things, CEED Janitorial Services was the only vendor to offer the following:

- Daily full-time employee for longer period and with flexibility for additional hours.
- Daily employee on Saturdays at no additional cost.
- Daily 2 – 3 part-time employees, in addition to full-time daily employee.
- Employee on call 24 hours daily, seven days per week.
- Monitoring of all bathrooms frequently during the day.
- Repair of clogged toilets as needed during the day.
- Additional repairs as needed during the day.
- Interior painting/repairs during summer.
- Daily lunch time custodian duties, including set up and tear down of tables and chairs.

CFO McConnell presented to the Board a brief factual summary of four bids. Based on discussions and their evaluation of the bids, VLT Board of Directors selected CEED Janitorial Services because of these additional services. Superintendent Lee did not participate in any discussions of the selection of a janitorial services vendor.

**Auditor of State's Conclusion:**

Based on our review of the documentation provided for audit, summaries presented to the Board provided by the Academy CFO, contract approval by the Board documented in the minutes, and the contract/bid files, there was no documentation that CEED was providing the additional services noted above. In fact, the summary of bids presented to the Board for awarding the contract indicated that “. . . Each of the companies used the VLT Checklist” provided to the companies at the initial meeting and walkthrough of the buildings, and that “. . . Each company offers a comprehensive plan . . .” and “. . . that there will be some management presence assigned to VLT for quality assurance.” Finally the bid summary presented to the Board stated that “Each company states that they can deliver a work product that will meet or exceed the standards provided in our checklist.” The Auditor of State does not think that this documentation indicates that the services subject for bid were unobtainable elsewhere for same or lower cost.

**FINDING NUMBER 2011-002**

**Noncompliance**

**Ohio Rev. Code, Section 2921.42 (A) (1)**, prohibits a public official from authorizing or employing the authority of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest

**FINDING NUMBER 2011-002  
(Continued)**

Echole Harris, the daughter of the Superintendent Valerie Lee, was paid \$85,000 for the school year, September 1, 2010 to June 30, 2011, and \$17,000 for a summer contract, July 1, 2011 to August 31, 2011, to provide services as the EMIS Coordinator/HS Compliancy Director. The Superintendent signed the summer employment contract.

The Academy failed to disclose the employment contract with Ms. Harris in the Notes to the Financial Statements.

We recommend the Academy, with the assistance of its legal counsel, develop a detailed conflict of interest policy, and require its employees and officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest.

Designated management should review these statements to help reduce the likelihood of conflicts of interest and to ensure all related party transactions are disclose in the Notes to the Financial Statements.

We further recommend that the Academy's Superintendent abstain from all decisions and proceedings that involve the compensation or other items of employment regarding family members.

This matter will be referred to the Ohio Ethics Commission.

**Officials' Response:**

The Superintendent inadvertently failed to disclose the employment contract with Ms. Harris in the notes to the Financial Statements. However, the Superintendent did disclose it to the Board. Legal counsel and the Academy has developed a detailed conflict of interest and anti -nepotism policy for board approval together with a recommendation for an annually signed statement from all employees and officials stating that they have received, understand, and will comply with the policy. All employees and officials will be required to disclose affiliations which may represent potential conflicts of interest.

As EMIS coordinator, Ms. Harris reports to and is evaluated by the Chief Financial Officer. The Superintendent has abstained from all discussion and proceedings involving compensation and other items of employment regarding family members and she will continue to do so.

**FINDING NUMBER 2011-003**

**Material Weakness**

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting; the effectiveness and efficiency of operations; compliance with applicable laws and regulations; and safeguarding of assets. When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Academy did not have adequate control procedures over the operation of the payroll disbursements process.



**FINDING NUMBER 2011-003  
(Continued)**

We noted the following conditions:

- In May 2010 the Board of Directors approved a salary schedule for the 2010-2011 school year. The Board further authorized the Superintendent to fulfill the staffing requirements of the Academy and to execute employment contracts with the employees:
  - For 21 of 40 employees tested, the 2010-2011 salary schedule approved by the Board of Directors listing positions and annual salary rates did not correlate with individual employment contracts or actual amounts paid.
  - For 4 of 40 employees tested, the actual amounts paid did not agree with the signed employment contract.
  - Two employees were underpaid due to the CFO incorrectly submitting pay rates to Paychex, the Academy's payroll service organization, and due to inadequate review of the bi-weekly payroll reports by the Superintendent.
  - One employee's actual pay was more than the contract amount but agreed to the Board approved salary schedule.
  - One employee was overpaid and this resulted in a finding for recovery; see finding 2011-006.
- Most school employee contracts authorized by the Superintendent were from September 1, 2010 to June 30, 2011, and that employees were awarded a separate supplemental contract for July 1, 2010 to August 31, 2010. None of the supplemental contracts were approved by the Board of Directors, and when taken in total with the regular employment contracts resulted in annual employee salaries that exceeded the amounts listed in the Board approved salary schedule for the 2010 - 2011 school year.

When the Board does not review or approve the actual salary obligations of the Academy, it inhibits the Board's ability to determine the appropriateness of salary expenditures in the Academy's budget at a time when the Academy has experienced cash flow difficulties, operating losses, negative ending cash balance, negative net assets, and adjustments to the accruals for the financial statements as noted in finding 2011-004.

To assure payroll records are accurate and complete, avoid discrepancies between salary schedules, employment contracts and actual pay, and provide for accurate presentation of the Academy's financial statements the Board of Directors should specifically set salaries for each employee annually in the minutes records. Any pay raises or supplemental contracts should also be specifically approved by the Board of Directors. The Academy should also compare data submitted to the payroll service organization to the amounts authorized by the Board. These policies should be documented in a personnel manual.

**Officials' Response:**

The Board of Directors will specifically set salaries for each employee annually in the minutes records and specifically approve pay raises or supplemental contracts.

The Academy has engaged a new Treasurer and anticipates that many of the discrepancies outlined in this Finding will be alleviated.

**FINDING NUMBER 2011-004**

**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, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data. Audit adjustments have been posted to the Academy's financial records and are reflected in the accompanying financial statements to properly reflect the receipts, disbursements, assets and liabilities of the Academy. As a result, the records maintained by the Academy were not accurate.

We noted the following conditions related to the Initial financial statements presented for audit:

- The Academy failed to disclose any debt activity in the financial statements and the notes to the financial statements as required by Governmental Accounting and Financial Reporting Standards Codification Standards (Codification) Sections 1500.102, 1500.129, 2300.117, 2300.120, 2300.124, and 2300.106.
- The Academy posted \$400,677 of Lease/Rent payables incorrectly as an Account Payable.
- The Academy understated a long term loan from their building Lessor (SUN Buildings) by \$5,000.
- One short term loan from the Academy's bank Park National Bank was misstated by \$31,946.
- The Academy understated intergovernmental payables by \$41,201.
- Depreciable capital assets, net was understated by \$101,519.
- The calculated amount of net assets recorded on the Statement of Net Assets was misstated by \$282,571.
- Accounts payable was overstated by \$5,934.
- Equity in pooled cash and cash equivalents was understated by \$1,198.
- Foundation payment revenues were overstated by \$422,553.
- Salaries expenses were overstated by \$10,745.
- Fringe benefits expenses were overstated by \$41,633.
- Purchased services expenses were understated by \$407,325 and also understated by \$5,000.
- Materials and supplies expenses were understated by \$24,386.
- Depreciation expense was overstated by \$203,653.
- Other federal and state grants revenues were understated by \$380,023.
- Federal and state meal subsidies were understated by \$44,245.
- The Statement of Cash Flows was presented using the indirect method instead of the direct method.

**FINDING NUMBER 2011-004  
(Continued)**

- The Academy's notes to the financial statements presented for audit did not disclose the short-term loan noted above nor disclose the proper balance of one long-term note.
- The Academy's notes to the financial statements did not disclose accurate capital asset balances.

After discussing this situation with the Academy, the Academy hired a conversion company to assist in the preparation of revised financial statement to correct the errors. The Academy then presented for audit revised financial statements.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Academy funds, 2) reduces the Board of Directors' ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend due care be exercised when posting entries to the financial records, accounting for capital assets, and preparing financial statements. In addition, we recommend the Board develop effective review procedures over the posting of Academy transactions to the accounting system and subsequent reporting on the financial statements.

**Officials' Response:**

The Academy notes the errors in the posting of Academy transactions to the accounting system and subsequent reporting on financial statements. As stated above, the Academy has engaged a new Treasurer and anticipates that many of the errors will be alleviated.

**FINDING NUMBER 2011-005**

**Significant Deficiency**

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

The Academy did prepare monthly reconciliations, however these reconciliation did not accurately reconcile its bank account to fund balances per the Academy's accounting system for the audit period. The following conditions resulted in inaccurate reconciliations:

- The Academy's initial reconciliation's recalculated system balance disagreed from the actual accounting system balance by \$21,760.
- The Academy's initial outstanding checklist included checks that had already cleared the bank, and also included checks from 2006 that were never on any previous outstanding checklist.
- The Academy did not include two checks for expenses in fiscal year 2011 in the total amount of \$11,731 on their outstanding check list or on their accounting ledgers.
- The Academy's cash ledgers included multiple errors because the Academy attempted to post accrual entries to the cash ledger.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management.

**FINDING NUMBER 2011-005  
(Continued)**

We recommend that the Treasurer accurately reconcile the accounts on a monthly basis immediately investigated any variances. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Academy funds, reduces the Board's ability to monitor financial activity, and increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner. As noted in Finding 2011-004, we recommend the Board develop effective review procedures over the posting of Academy transactions to the accounting system and subsequent reporting on the financial statements.

**Officials' Response:**

The Academy notes the errors in the posting of Academy transactions to the accounting system and subsequent reporting on financial statements. As stated above, the Academy has engaged a new Treasurer and anticipates that many of the errors will be alleviated.

**FINDING NUMBER 2011-006**

**Finding for Recovery**

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

For September 1, 2010 to June 30, 2011, Keenan Cooke, an Information Technology Director at Value Learning and Teaching Academy, was paid \$2,916.66 biweekly resulting in a salary amount of \$58,333, which was more than his Board-approved salary of \$55,000. As a result of this, Mr. Cooke was overpaid \$3,333. There was no evidence the Board approved the overpayment. Further, there was no indication the overpayment was for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Keenan Cooke, Information Technology Director, in the amount of \$3,333 in favor of the Value Learning and Teaching Academy.

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 the expenditure. Seward v. National Surety Corp. (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.

Chief Fiscal Officer Judy McConnell authorized the overpayment to Mr. Cooke. Accordingly, Judy McConnell and her bonding company, the Hartford Fire Insurance Company, are jointly and severally liable in the amount of \$3,333, and in favor of the Value Learning and Teaching Academy.

**Officials' Response:**

The Academy recognizes the responsibility of Ms. McConnell for the overpayment to Mr. Cooke.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Noncompliance/Questioned Cost/Material Weakness – Activities Allowed or Unallowed**

<b>Finding Number</b>	2011-007
<b>CFDA Title and Number</b>	Education Jobs Fund 84.410
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**2 C.F.R. 225 Appendix A Section C (1)(d)** states for an expense to be allowable under Federal awards, costs must meet the following general criteria:

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

**The Initial Guidance for State on the Education Jobs Fund Program** states in part local educational agencies (LEA) may use the funds to pay the salaries of teachers and other employees who provide school-level educational and related services. In addition to teachers, employees supported with program funds may include, among others, principals, assistant principals, academic coaches, in-service teacher trainers, classroom aides, counselors, librarians, secretaries, social workers, psychologists, interpreters, physical therapists, speech therapists, occupational therapists, information technology personnel, nurses, athletic coaches, security officers, custodians, maintenance workers, bus drivers, and cafeteria workers.

Furthermore it also states in part LEAs are prohibited from using Ed Jobs funds for general administrative expenses as that term is defined by the National Center for Education Statistics (NCES) in its Common Core of Data. These prohibited expenses are administrative expenditures related to the operation of the superintendent's office or the LEA's board of education, including the salaries and benefits of LEA-level administrative employees. LEAs are prohibited from using Ed Jobs funds for other LEA-level support services expenditures, as that term is defined in the Common Core of Data. These prohibited activities include the payment of expenditures for fiscal services, LEA program planners and researchers, and human resource services.

The Academy did not adhere to the guidelines of the Ed Jobs Fund Program in regards to allowable expenses for the following expenses:

- The Academy paid \$11,832 in salary expenses for the Special Education Director from the Ed Jobs Fund that was not supported by the time and effort logs provided.

Failure to adhere to the guidelines for applicable Federal awards in which expenses are incurred could lead to the Academy having to repay funds back to the awarding agency or could lead to the loss or reduction of future funding.

We recommend the Academy develop effective control procedures to ensure compliance with all applicable Federal award requirements when making payments from Federal award monies.

**Officials' Response:**

The special Education Director taught advanced classes from Oct. 22, 2010 through June 3, 2011.

**FINDING NUMBER 2011-007  
 (Continued)**

The Academy has effective control procedures to ensure compliance with applicable Federal award requirements for payments from Federal award monies.

**Auditor of State’s Conclusion:**

After reviewing this finding, the Academy provided time and effort logs in an attempt to document the salary expenses paid from the Ed Jobs fund; however, the documentation only supported \$12,168 of the \$24,000 salary charged to the Jobs Ed fund because there were discrepancies between the time and effort logs and time card summary reports, and there were discrepancies between the time and effort logs and actual payroll charges per the Academy’s payroll records follows:

- The actual payroll allocations for the Director were 40% to Ed Jobs, with the allocations to the Ed Jobs program occurring in the third and fourth quarters (March through June) at 100% of the Director’s salary for that period for a total of \$24,000.
- The time and effort logs indicated that for October through June, the Director’s salary should have been allocated 74% to Ed Jobs and 26% to General fund; however the coding for teaching (the only activity allowed to be allocated to the Ed Jobs program) documented that only 26% should have been allocated to the Ed Jobs fund.
- In addition, the time and effort logs contained time for 2 days where there was no activity recorded on the Time Card Summary reports and 8 days after the end of the school year.

**Noncompliance/Material Weakness – Cash Management**

<b>Finding Number</b>	2011-008
<b>CFDA Title and Number</b>	State Fiscal Stabilization Fund 84.394 Title I Part A Cluster 84.010 and 84.389
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**OMB Circular A-110 (2 CFR 215.22)** states in part "a) Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205.

(b) Recipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain:

- (1) Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and
- (2) Financial management systems that meet the standards for fund control and accountability as established in 215.21. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs."

**FINDING NUMBER 2011-008  
(Continued)**

The Academy did not minimize the time between the time an advance of federal funds was received and the time it was disbursed in the State Fiscal Stabilization Fund (SFSF) and Title I Fund. In addition, they do not have procedures implemented to minimize the amount of time from the receipt of federal funds to the disbursement of federal funds. The Academy did not disburse the monthly expenditures allocated to the SFSF and Title I programs advances received for 8 out of the 12, and 6 out of the 12 months tested, respectively. The variances for the 8 months of SFSF funds was between 60 and 120 days and ranged from \$1,736 to \$39,892; for Title I the variances were between 60 and 120 days and ranged from \$1,117 to \$117,316. For both programs the months where disbursements did exceed the advance received there were funds remaining from the prior advances to cover the difference except for one month in the SFSF program. The balance at June 30, 2011 between the advances and disbursements for the SFSF and Title I programs was \$48,183 and \$53,151, respectively.

Failure to disburse federal funds in a timely manner could lead to the Academy receiving a reduction in federal funding or being denied the access to being advanced federal funds.

We recommend the Academy disburse federal funds in a timely manner. We also recommend the Academy implement procedures to minimize the amount of time between the receipt of federal funds and the disbursement of federal funds. We also recommend the Academy expend advanced funds prior to requesting additional funds.

**Officials' Response:**

The Academy has a new Treasurer who will disburse. The Academy has procedures in place to minimize the amount of time between the receipt of federal funds and their disbursement.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Value Learning and Teaching Academy  
Hamilton County  
1100 Sycamore Street  
Cincinnati, Ohio 45202

To the Board of Directors:

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Value Learning and Teaching Academy has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 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 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

August 2, 2012

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**VALUE LEARNING AND TEACHING ACADEMY  
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-007	The special Education Director taught advanced classes from Oct. 22, 2010 through June 3, 2011. The Academy has effective control procedures to ensure compliance with applicable Federal award requirements for payments from Federal award monies.	07/09/12	Larry Lash
2011-008	The Academy has a new Treasurer who will disburse. The Academy has procedures in place to minimize the amount of time between the receipt of federal funds and their disbursement.	07/09/12	Larry Lash

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# Dave Yost • Auditor of State

**VALUE LEARNING AND TEACHING 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  
SEPTEMBER 11, 2012**