



**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Greater Cincinnati Community Academy
Hamilton County
611 Wyoming Avenue
Cincinnati, OH 45215

We have audited the accompanying Balance Sheet of the Greater Cincinnati Community Academy, Hamilton County, (the Academy) as of and for the year ended June 30, 2002, and the related Statement of Revenues, Expenses and Changes in Accumulated Deficit, and the Statement of Cash Flows for the year then ended. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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 Greater Cincinnati Community Academy, Hamilton County, as of June 30, 2002, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As shown in the financial statements, the Academy has a working capital deficiency of \$1,619,637 and an accumulated deficit of \$1,073,025. Accordingly, there is substantial doubt about the Academy's ability to continue as a going concern. Management's plans in regards to these matters are discussed in Note 15. 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 June 23, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Academy did not separately account for federal revenues and expenditures, and did not provide adequate documentation to support revenues and expenditures. Therefore, the accompanying schedule of federal awards expenditures has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly we express no opinion on it.

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

Betty Montgomery
Auditor of State

June 23, 2003

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

Assets:

Current Assets

Cash	\$ 4,069
Intergovernmental Receivable	49,154
	<hr/>
Total Current Assets	53,223

Noncurrent Assets

Capital Assets net of depreciation	546,612
	<hr/>
Total NonCurrent Assets	546,612
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Total Assets	\$ 599,835

Liabilities and Fund Equity:

Current Liabilities

Accounts Payable	\$ 312,548
Intergovernmental Payable -- SERS	340,098
Overdraft Protection Account	33,560
Accrued Wages & Benefits	106,275
Loans from Officers	74,832
O&B Foundation Payable	24,230
Capital Lease Payable	81,510
Total Current Liabilities	973,053

Noncurrent Liabilities

State Foundation Payable	602,941
Capital Lease Payable - Long-Term Portion	96,866
Total Noncurrent Liabilities	699,807
	<hr/>
Total Liabilities	1,672,860

Fund Equity

Retained Earnings	(1,073,025)
	<hr/>
Total Liabilities and Fund Equity	\$ 599,835

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED JUNE 30, 2002**

Operating Revenues:

State Foundation Payments	\$ 2,906,463
State Grants - DPIA	461,910
State Special Education Program	314,507
Other Operating Revenues	<u>16,638</u>
Total Operating Revenues	<u>3,699,518</u>

Operating Expenses:

Salaries	2,356,389
Fringe Benefits	658,512
Purchased Services	
Professional & Technical	355,523
Student Testing & Evaluation	41,461
Staff Development & Services	200
Other Contract Services	20,729
Data Processing Services	71,058
Food Service Contract Services	104,890
Communications	75,042
Mail/Messenger Service	2,980
Printing	21,198
Transportation & Meetings	7,703
Dues & Memberships	10,203
Security Services	20,000
Pest Control	584
Trash Removal	6,205
Contract Repair & Maint	102,617
School Site Lease	123,583
Equipment Leasing	20,215
Utilities	68,702
Computer Equip. Repair/Maint	203
Student Transportation	33,772
Advertising	1,985
Supplies and Materials	240,558
Depreciation	242,665
Other	<u>7,352</u>
Total Operating Expenses	<u>4,594,327</u>
Operating Loss	<u>(894,809)</u>

Non-Operating Revenues(Expenses):

Federal Start Up	190,000
Restricted Federal Grants	924,384
Food Service Grant	227,051
Donations	21,028
Interest Expense	<u>(39,075)</u>
Total Non-Operating Revenues	1,323,388
Net Income	428,579
Accumulated Deficit at Beginning of Year	<u>(1,501,604)</u>
Accumulated Deficit at End of Year	<u>\$ (1,073,025)</u>

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Increase (Decrease) in Cash:

Cash Flows From Operating Activities:

Cash Received from State of Ohio - Foundation	\$ 2,886,085
Cash Received from State of Ohio - DPIA	461,910
Cash Received from State of Ohio - Special Education Program	314,507
Cash Received from Other Operating Activities	16,638
Cash Payments for Salaries and Fringe Benefits	(3,014,901)
Cash Payments to Suppliers for Goods and Services	(1,329,409)
Cash Payments for Other Operating Activities	(7,352)
Refund of state foundation payments	(366,072)
Net Cash Used for Operating Activities	<u>(1,038,593)</u>

Cash Flows From Non-Capital Financing Activities

Cash Received from State and Federal Grants	1,341,435
Cash received from Overdraft Protection Account	33,560
Cash Received from Officers	442,700
Cash repayments to Officers	(408,368)
Cash Received from Donations	21,028
Net Cash Provided by Non-Capital Financing Activities	<u>1,430,355</u>

Cash Flows From Capital Financing Activities

Cash Received for Sale of Capital Assets	35,915
Payments for Acquisition of Capital Assets	(92,847)
Payments on Line of Credit	(300,000)
Interest Payment	(39,075)
Net Cash Used for Capital Financing Activities	<u>(396,007)</u>

Net Decrease in Cash (4,245)

Cash at Beginning of Year 8,314

Cash at End of Year **\$4,069**

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss \$ (894,809)

Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities

Depreciation	\$ 242,665
Changes in Assets and Liabilities	
Decrease in Prepayments	\$ 34,615
Increase in Accounts Payable	158,209
Decrease in Leases Payable	(9,707)
Decrease in Capital Leases Payable	(13,913)
Decrease in State Foundation Payable	(366,072)
Decrease in Intergovernmental Payable -- SERS	(18,989)
Decrease in Accrued Wages & Benefits Payable	(170,593)
Total Adjustments	<u>(143,785)</u>

Net Cash Used for Operating Activities **\$ (1,038,593)**

Noncash investing, capital, and financing activities \$ 1,034,348

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

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**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Greater Cincinnati Community Academy, Inc. (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to provide an appropriate educational facility and program for all age groups and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. The Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy's management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's exempt status. The Academy, which is part of the state's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The creation of the Academy was initially proposed to the State Board of Education of Ohio, the sponsor, by the Greater Cincinnati Community Academy, Inc. on June 24, 1999. The State Board of Education approved the proposal and entered into a five-year contract with the Board of Trustees of the Academy. The contract provided for the commencement of Academy operations on June 24, 1999.

The fiscal operation of the Academy is under a nine member board who is directed by the President of the Board. This board is responsible for formulating policies regarding fiscal operations and monitoring the expenditure of funds. The Academy's Treasurer also serves as the Chief Financial Officer of the Academy. The Treasurer is responsible for directing the financial affairs of the Academy including accounting purchasing, insurance, housekeeping and maintenance and is responsible for reporting the progress of the Academy against those responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Greater Cincinnati Community Academy, Inc. have been prepared in conformity with generally accepted accounting principles 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 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

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basics of Accounting

The accounting and financial reporting treatment is determined by its 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 balance sheet. The operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of accounting refers to when revenues and expense are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred

C. Budgetary

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

D. Cash

All monies received by the Academy are accounted for by the Academy's Treasurer. For cash management, all cash received by the Treasurer is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying balance sheet.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the dates received. The Academy maintains a capitalization threshold of five hundred dollars (\$500). 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 capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to capital assets are depreciated over the remaining useful lives of the related fixed assets. Improvements to leased buildings are depreciated over the remainder of the five-year lease.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The Academy participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the Academy was awarded \$190,000 to offset startup costs of the Academy. The revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

The Academy also participates in other various Federal Programs through the Ohio Department of Education. Revenue received from these programs is recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met.

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

In preparing financial statements, the Academy is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND DEPOSITS

At June 30, 2002, the Academy had a cash balance of \$4,069. The bank balance of the Academy's deposits was \$13,463 of which all was covered through federal depository insurance (FDIC) for two separate accounts.

4. CAPITAL ASSETS

A summary of the capital assets at June 30, 2002:

Leasehold improvements	\$ 996,892
Furniture & Equipment	<u>216,432</u>
Subtotal	1,213,324
Less: Accumulated Depreciation	<u>(666,712)</u>
Net Capital Assets	<u>\$ 546,612</u>

5. 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. For the fiscal year 2002, the Academy contracted with A.E. Olverson Agency for property and general liability insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy.

B. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 100% of the monthly premium.

C. 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.

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

6. OPERATING LEASES

In September of 1999, the Academy entered into a five-year lease for 20,000 square feet of building space to be used for educational purposes. The Academy has an option for four consecutive five-year lease renewals. In fiscal year 2002, the Academy paid \$3,000 per month, plus utilities.

In October of 2000, the Academy entered into five-year leases for three modular classrooms. In fiscal year 2002 the Academy paid \$700 per month, per classroom, plus utilities.

In August of 1996, Dr. H. Marie Congo and Dr. Janet L. Perry, current CEO/Developer and Human Resources Officer, respectively, of the Greater Cincinnati Community Academy entered into a five-year lease agreement with Lockland City School District for a building used as administrative offices by the Greater Cincinnati Christian Academy, which is no longer in business. In fiscal year 2002, the Greater Cincinnati Community Academy used the building for their administrative offices and paid the lease commitment of \$4,000 per month, plus utilities. In September of 2001, the building was leased by the Greater Cincinnati Community Academy for one year with the option for a one-year renewal.

7. 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required statements and required supplementary information for SERS. This report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Academy is required to contribute 14 percent; for fiscal year 2002, 5.46 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by the SER's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The Academy's required contribution for pension obligations to SERS for the fiscal year ended June 30, 2002, was \$70,762.

The Academy had not made the required employer or employee contributions due to SERS in the amount of \$201,224 and \$129,593, respectively, for fiscal years 2002 and 2001 as of June 30, 2002. The total contribution outstanding at June 30, 2002 was \$330,817 and is included in "Intergovernmental Payable-SERS." On December 15, 2002, the Academy completely liquidated the outstanding liability.

B. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivors, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. This report may

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

7. DEFINED BENEFIT PENSION PLANS (Continued)

be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Academy is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Academy's required contribution for pension obligation to STRS for the fiscal year ended June 30, 2002 was \$100,736.

8. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 System based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Academy, this amount equaled to \$47,717 during the 2002 fiscal year.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2002, the minimum pay has been established at \$12,400. The portion of the Academy's contributions that were used to fund post-employment benefits was \$110,680.

9. OTHER EMPLOYEE BENEFITS

A. Insurance Benefits

The Academy provides life insurance to all employees through a private carrier. Coverage is provided for all certified and non-certified employees.

B. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee medical/surgical benefits. The Academy pays 100% of the monthly premium.

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

10. CAPITAL LEASE

During fiscal year 2000, the Academy entered into a 54-month lease/purchase agreement with Firststar Bank for \$350,000 at an interest rate of 9 percent. The lease was used to purchase equipment, furniture and textbooks. As of June 30, 2002, \$178,376 of the agreement was outstanding. The equipment, furniture and textbooks obtained through the agreement serve as collateral.

Capital assets acquired by the capital lease have been capitalized in the amount of \$111,031.

The following is a summary of the Academy's future annual lease payments:

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	81,510	9,355	90,865
2004	<u>96,866</u>	<u>3,752</u>	<u>100,618</u>
	<u>\$178,376</u>	<u>\$13,107</u>	<u>\$191,483</u>

The Academy did not have fiscal funding or a cancellation clause for leases as required by Auditor of State Bulletin 2000-005.

As of June 30, 2002, the Academy is delinquent by \$9,680 on lease payments.

11. STATE FOUNDATION PAYABLE

As of June 30, 2002, the Academy owed the Ohio Department of Education \$602,941 for overfunding in fiscal year 2000 based upon Ohio Department of Education reviews of enrollment criteria and full-time equivalency calculations. This amount is reflected as a noncurrent liability on the balance sheet.

An agreement was negotiated between ODE and the Academy during 2001 allowing ODE to withhold an agreed upon amount from the Academy's school foundation receipts during fiscal year 2002 in the amount of \$516,807 and fiscal year 2003 in the amount of \$452,206. The Academy repaid \$366,072 during fiscal year 2002. The outstanding liability at June 30, 2002 was \$602,941. ODE is still withholding the allowed amount from the Academy's school foundation receipts. As of June 10, 2003, the Academy's outstanding obligation was \$0.

12. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough an efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its operations.

**GREATER CINCINNATI COMMUNITY ACADEMY, INC.
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

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 general fund or other applicable funds. 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, 2002.

B. Pending Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws.

The effect of this suit, if any, on the Greater Cincinnati Community Academy, Inc. is not presently determinable.

14. RELATED PARTY TRANSACTIONS

The following are considered related party transactions:

- Marie Congo, CEO/Developer and her husband Arthur Congo loaned the Academy \$430,988 during the 2002 fiscal year. There is a remaining balance of \$22,300 at year end.
- Carl Shye, Treasurer, loaned the Academy \$74,500 during the 2002 fiscal year. There is a remaining balance of \$12,332 at year end.
- Dr. Janet Perry, Director of Teacher Development, loaned the Academy \$40,500 during the 2001 fiscal year, and the loan remains unpaid by the Academy at June 30, 2002.
- James Willis, husband of the Academy's principal, loaned the Academy \$10,000 during the 2002 fiscal year. The entire amount was repaid to Mr. Willis during the year.

15. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT

During the fiscal year the Academy initiated a plan to liquidate the past due liability for SERS, the state school foundation payable and a \$300,000 outstanding credit line with US Bank. The Academy negotiated repayment agreements which resulted in the complete liquidation of the credit line and payoff of the SERS and foundation payable by December 2002 and June 2003 respectively. The payment arrangements were made with consideration of the needs to maintain the quality of the education offered to the students and taking care of obligations to employees. As a result, the Academy reduced its accumulated deficit by 29% compared to the 2001 accumulated deficit.

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**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Commodity Distribution	n/a	10.550		\$7,575		\$7,575
National School Breakfast Program	05-PU	10.553	65,713		65,713	
National School Lunch Program	LL-P1 & LL-P4	10.555	101,366		101,366	
Total U.S. Department of Agriculture			167,079	7,575	167,079	7,575
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	141,686		141,686	
Adult Education- State Grant Program	C2-S1	84.298	3,580		3,580	
Drug Free Schools Grant	DR-S1	84.186	7,409		7,409	
Public Charter Schools Subsidy	CH-S1	84.282	190,000		190,000	
ESEA Title I -- Grants to Local Educational Agencies	C1-S1	84.010	668,409		668,409	
Class Size Reduction	CR-S1	84.340	79,373		79,373	
Eisenhower Professional Development State Grant	MS-S1	84.281	15,685		15,685	
Total U.S. Department of Education			1,106,142		1,106,142	
Totals			\$1,273,221	\$7,575	\$1,273,221	\$7,575

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

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agricultural are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the Academy had no significant food commodities in inventory.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Greater Cincinnati Community Academy
Hamilton County
611 Wyoming Avenue
Cincinnati, OH 45215

To the Board of Directors (Board):

We have audited the accompanying financial statements of the Greater Cincinnati Community Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2002, and have issued our report thereon dated June 23, 2003, wherein Note 15 we noted that there is substantial doubt about the Academy's ability to continue as a going concern and wherein we disclaimed an opinion on the schedule of federal awards expenditures. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2002-001 through 2002-005 and 2002-010. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Academy in a separate letter dated June 23, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-006 through 2002-009 and 2002-011 through 2002-013.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-006 through 2002-009 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Academy in a separate letter dated June 23, 2003.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 23, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Greater Cincinnati Community Academy
Hamilton County
611 Wyoming Avenue
Cincinnati, OH 45215

To the Board of Directors (Board):

Compliance

We have audited the compliance of Greater Cincinnati Community 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 are applicable to its major federal programs for the year ended June 30, 2002. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

As described in items 2002-014 through 2002-017 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Activities Allowed, Allowable Costs, Reporting, Cash Management, and Level of Effort that are applicable to its Title I and Public Charter Schools Subsidy Grants. Compliance with such requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to those programs.

In our opinion, based on the noncompliance issues described in the preceding paragraph, the Academy did not comply, in all material respects, with the requirements referred to above that are applicable to its Title I and Public Charter Schools Subsidy Grants major federal programs for the year ended June 30, 2002.

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Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Academy's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-015 and 2002-016.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe the reportable conditions described above as items 2002-015 and 2002-016 to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

June 23, 2003

**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 Section .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Adverse
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I – CFDA #84.010 Charter School Grant -- CFDA# 84.282
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number 2002-001

Finding for Recovery

The Treasurer of the Academy reimbursed one of the officers of the Academy for a request for reimbursement of goods and services that was not evidenced by adequate supporting documentation, or appeared to be of a questionable proper public purpose. The Academy's "Request for Reimbursement" form requires that original invoices, receipts or cancelled checks be attached before reimbursement is rendered. As indicated in the following table, the officer did not provide original invoices or receipts for certain reimbursements.

The Academy did not provide adequate documentation or support that expenses were for a proper public purpose as follows:

Check #	Date of Check	Check Payable To	Documentation Provided by the Academy	Amount
8416	12/21/01	Marie Congo	Copy of check made payable to "Tony"	\$ 500
8416	12/21/01	Marie Congo	Copy of check made payable to "Cindy Reese"	500
				<u>\$ 1,000</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against, Marie Congo (Director), Carl Shye (Treasurer), and their bonding company, EMC Insurance Company, jointly and severally in the amount of \$1,000.

Finding Number 2002-002

Material Noncompliance

Ohio Rev. Code Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42.

The Academy could not locate certain invoices requested, officer loan documentation, and detailed expenditure ledger for all federal programs for review upon initial request for records by the Auditor of State. Some of the expenditures reviewed had no related vouchers on file and were attached to plain white paper with only the name of the vendor and amount.

Finding Number 2002-003

Material Noncompliance

Ohio Rev. Code, Section 3314.10(A)(2), states in part that employment with a community school is subject to either Ohio Revised Code Chapter 3307 or 3309. Ohio Rev. Code, Sections 3307.01, 3307.012, 3307.381, 3307.51, 3307.53, and 3307.56 - {State Teachers Retirement System (STRS)}, and Ohio Rev. Code, Sections 3309.23, 3309.341, 3309.47 and 3309.49 - {School Employees Retirement System (SERS)}, require community schools to enroll their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions. The Academy did not make timely payments to STRS and SERS during fiscal year 2002, owing \$330,817 to SERS on June 30, 2002, and \$3,917 to STRS at June 30, 2002. At June 23, 2003 the Academy had paid SERS and STRS in full.

Finding Number 2002-004

Material Noncompliance

Auditor of State Bulletin 2000-05 indicated that lease agreements are not considered to be a loan to be paid back within one year, however, lease agreements that extend beyond the current fiscal year should include a fiscal funding or cancellation clause. Such a clause permits the community school to terminate the agreement on an annual basis if the funds are not appropriated to make the required payments. The Academy has an equipment lease purchase agreement with Firststar Bank for the purchase and lease of equipment, but it does not include the required fiscal funding/cancellation clause. This agreement, with a balance of \$178,377 at June 30, 2002, is scheduled to be repaid in monthly payments through 2004.

We recommend the Academy review all lease agreements that extend beyond the end of the fiscal year in which they are issued to make sure they contain a fiscal funding or cancellation clause. The Academy should also include this clause in all future lease agreements.

Finding Number 2002-005

Material Noncompliance

The Academy did not comply with the Financial Plan Section, Exhibit 2 of their contract with the Ohio Department of Education (ODE). The contract states that the Treasurer is required to submit monthly financial reports to the Academy's Board for review. The Treasurer did not consistently provide the required reports for fiscal year 2002. We recommend that the Treasurer provide the monthly financial reports and that the Board note in the minutes of their quarterly meetings that the reports were received and reviewed. The minutes contained minimal mention of board approvals of expenditures, salaries, financial reports, donations or other financial actions.

We recommend that Board review monthly financial reports in order to monitor procedures to ensure that all activities of the Academy are reflected in the financial statements for the period and are within the budgeted amount. We also recommend that the Board review the monthly cash reconciliation prepared by the Treasurer's Office to ensure agreement of bank balance and book balance and to avoid financial problems such as over spending and any errors in bank transactions.

Finding Number 2002-006

Material Weakness

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

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action. There was no documentation in the minutes that the Board reviews financial and other information on a regular basis.

Monitoring controls may be in the nature of ongoing activities or periodic separate evaluation by either management or an internal audit function. They can relate to a specific transaction cycle or can be of a more overview nature.

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

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

We recommend that the Academy develop and implement a monitoring control system to reduce the risk of not detecting material misstatements.

Finding Number 2002-007

Material Weakness

The Academy does not have a fixed asset policy or a formal system of tracking, tagging and valuing fixed assets. We recommend the Academy adopt a fixed asset tracking and valuation system. This system should provide supporting documentation on each fixed asset. Such information should include, but not be limited to, date of purchase or acquisition, brief description of the asset; location of asset; identification number; purchase price; estimated useful life; disposition date, and amount received on disposition. The system should categorize assets by major type (e.g., land, buildings, equipment) and should summarize the amount invested in fixed assets by major type. The system should also record and summarize depreciation expense and accumulated depreciation for each fixed asset. The system should provide for perpetual updating of this information.

The lack of a fixed asset system and established procedures to monitor additions and deletions will decrease the Academy's ability to safeguard its fixed assets. Establishing a fixed asset system and policies and procedures will improve control over Academy property by decreasing the risk of loss and misappropriation. Perpetual maintenance of such information will also assist the Academy in maintaining adequate insurance coverage, as well as provide support evidence in case of theft or fire losses.

Finding Number 2002-008

Material Weakness

The following control weaknesses were noted in the non-payroll disbursement process:

- * The Academy does not have a written policy addressing non-payroll disbursements.
- * There was no indication that expenditures were approved prior to purchases being made (i.e, use of a purchase order).
- * Checks were issued out of their numeric sequence.
- * Vendors listed in the general ledger did not always match the cancelled check.
- * Checks that were not used were not voided and did not have the signature line removed.
- * Checks were not signed by two authorized signatories.

These control weaknesses could result in errors or misstatements in the financial records, the unauthorized purchase of goods or services, or the misappropriation of Academy assets. The processing of non-payroll disbursements should include, but is not limited to:

- * Establishing a board approved written policy governing non-payroll disbursements
- * Prior authorization of a purchase should be obtained, through the use of a purchase order which documents approval by the Director and Treasurer and includes appropriate coding of expenditures.
- * A comparison should be made by the Treasurer of the check used to pay for a purchase and the supporting documentation to verify that the payee, amount, address, etc. on the check and invoice agree.
- * A review of the Academy's check register should be performed by the Management Cabinet monthly to verify that voided checks are not included in the total to determine the reason for checks issued out of sequence, and to investigate other discrepancies and unusual items.
- * Unused checks should be stamped "VOID" and/or have the signature area removed by the Treasurer.

Finding Number 2002-009

Material Weakness

The Academy has a policy to address employee submitted requests for the reimbursement of purchases related to Academy business. Employees are required to complete a "Check Request" form and attach statements/receipts or cancelled checks to verify purchases. However, the Academy reimbursed employees for purchases without adequate documentation to support purchases made on behalf of the Academy. At the request of the Auditor of State, after the audit period, the Academy provided additional documentation and the Board signed affidavits stating that these purchases were authorized and made for a proper public purpose.

Finding Number 2002-009
(continued)

Failure to monitor payments for reimbursements could result in expenses incurred by the Academy that are not related to official Academy business. We recommend that the Academy enforce the policy for the reimbursement of purchases, including gasoline purchases. The enforcement of this policy would assist in providing assurance of the accuracy and completeness of the reimbursement, that the purchasing process was not circumvented, and that the purchases were for Academy business.

Finding Number 2002-010

Material Noncompliance

Section 8 of the debt covenants of the \$300,000 line of credit provides that the Issuer (Greater Cincinnati Community Academy) shall transfer monies in an amount necessary to meet principal and interest payments to the "Note Payment Fund." The Academy has not established a Note Payment Fund. Failure to comply with the debt covenants could result in the lender demanding immediate payment of the entire amount due.

Finding Number 2002-011

Reportable Condition

Loans from officers to the Academy during the June 30, 2002 fiscal year amounted to \$442,700. Amounts of the loans were \$16,000 from the Treasurer, \$147,000 from the Director and \$279,700 from other Board members. A \$40,500 loan amount was still outstanding from the prior year. These loans were not substantiated with documentation; there were no written loan agreements, no terms of repayment, and no stated interest rate. Lack of clear documentation for loan agreements increases the possibility of loss of Academy resources through unreasonable interest payments, improper payments, and legal fees to resolve misunderstandings.

We recommend that the Board provide and approve loan agreements with the officers stipulating repayment terms and interest rate.

Finding Number 2002-012

Reportable Condition

The Academy had a maximum amount of deposits of \$586,294 in July 2001. \$100,000 was covered by FDIC insurance and the balance was uninsured and uncollateralized. The Academy should consider obtaining insurance or a security agreement with their financial institution to provide security for an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds or pledged securities. The acquisition of security for all funds on deposit would provide a commitment for repayment of all funds on deposit.

Finding Number 2002-013

Reportable Condition

The minutes of the Board of Directors for the Greater Cincinnati Community Academy had the following deficiencies:

- Expenditures were not approved in the minutes
- The minutes did not indicate approval of changes in the monthly spending, acceptance of donations, authorization of fund raisers/special events, or approval to solicit vendors for bidding of contracts or acceptance of contracts.

The minutes are the official proceedings of the Academy and should document all significant actions. The Board provides a monitoring control for the Academy when they review and approve expenditures and financial reports that are submitted during each meeting. The Board should review and approve the financial reports and document the action in the official minutes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-014
CFDA Title and Number and Federal Award Number/Year	84.340 Classroom Size Reduction – CR-S1 2001 & 2002 84.186 Drug Free Schools – DR-S1 2001 & 2002 84.281 Eisenhower Professional Development Grant – MS-S1 2001 & 2002 84.298 Innovative Educational Program Strategy – C2-S1 2001 & 2002 84.027 Special Education Grants to States – 6B-SF 2001 & 2002 84.282 Public Charter Schools Subsidy – CH-S1 2001 & 2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Questioned Costs

Title VI-B	84.027	\$141,686
Adult Education	84.298	3,580
Drug Free Schools	84.186	7,409
Public Charter Schools	84.282	190,000
Class Size Reduction	84.340	79,373
Eisenhower Professional	84.281	15,685

OMB Circular No. A-133, Section .105 defines questioned costs as costs, at the time of the audit, that are not supported by adequate documentation. OMB Circular No. A-133, Section .300(a) requires the grantee identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Also, each federal program has specific requirements in regard to the allowable expenditure of these federal funds. Due to the following deficiencies we could not determine if funds were expended in accordance with each of the federal program requirements:

- * The Academy did not segregate the federal funds on their financial records thus federal funds were commingled;
- * A "Profit & Loss" report provided by the Academy was not supported by adequate documentation. The revenues shown on this statement could not be verified to the revenue confirmation provided by the Ohio Department of Education;
- * Final Expenditure Reports which are required by the Ohio Department of Education were not supported with adequate documentation and were not filed timely.

Based on the above deficiencies, we are questioning amounts equal to the Federal awards identified above which were received during the year ended June 30, 2002.

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

Finding Number	2002-015
CFDA Title and Number and Federal Award Number/Year	84.340 Classroom Size Reduction -- CR-S1 2001 & 2002 84.186 Drug Free Schools -- DR-S1 2001 84.281 Eisenhower Professional Development Grant -- MS-S1 2001 84.298 Innovative Educational Program Strategy -- C2-S1 2001 84.027 Special Education Grants to States -- 6B-SF 2002 84.010 Elementary and Secondary Education Act (ESEA) Title I -- C1-S1 2002 84.282 Public Charter Schools Subsidy -- CH-S1 2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness/Reporting

34 C.F.R. 80.20(b)(1) requires that accurate, current and complete disclosure of federal financial assistance be made in accordance with the financial reporting requirements of the grant agreements. A final expenditure report (FER) is to be completed and returned to the granting agency at the end of the grants fiscal year per grant agreements with the Ohio Department of Education. The Greater Cincinnati Community Academy had the following federal grants for which they did not complete nor send FER's to the grantor agency for FY2001 which were due October 30, 2001 until December 2002:

- CR-S1 2001 Classroom Size Reduction;
- DR-S1 2001 Drug Free Schools Grant;
- MS-S1 2001 Eisenhower Professional Development Grant;
- C2-S1 2001 Innovative Educational Program Strategy (Adult Education)

The Academy did not have approved copies from Ohio Department of Education of the Final Expenditure Reports for FY2002 on file for the following programs:

- 6B-SF 2002 Special Education Grants to States (Title VI-B)
- C1-S1 2002 Elementary and Secondary Education Act (ESEA) Title I
- CR-S1 2002 Classroom Size Reduction;
- CH-S1 2002 Public Charter Schools Subsidy

The Academy did not have adequate supporting documentation available to verify amounts on the FER's. The Academy did not separately account for federal revenues/expenditures nor could not provide detailed expenditure reports, payroll registers or invoices to support the expenditures reported on the Final Expenditure Reports. The Academy provided a "Profit & Loss" report from the Quicken system which was segregated by federal funds, however, amounts did not support the Final Expenditure Reports nor could detailed supporting documentation be obtained from the Academy.

We recommend the Academy file FER's promptly to comply with grant requirements, maintain and provide adequate supporting documentation for all expenditures related to federal financial assistance. Complying with the federal regulations will reduce the probability of discontinued funding.

Finding Number	2002-016
CFDA Title and Number	84.010 Title 1, Part A, Elementary and Secondary Education Act
Federal Award Number / Year	C1-S1 2001 and C1-S1 2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness/Activities Allowed or Unallowed and Level of Effort

Title I, Section 1115 of Elementary and Secondary Education Act (20 USC 6315) identifies the allowable activities to be utilized by targeted assistance schools. Allowable activities are provided to the Ohio Department of Education for approval by the school in the Consolidated Local Plan. The Academy identified instructional services, summer school instruction and administrative salaries as the activities for Part A, Title I federal assistance.

Due to the lack of supporting documentation and inadequate accounting of federal assistance, we determined that the Academy did not comply with federal regulations in regards to Activities Allowed by Title I, Section 1115 stated above.

Finding Number	2002-017
CFDA Title and Number	84.010 Title 1, Part A, Elementary and Secondary Education Act 84.282. Public Charter Schools Subsidy Grant
Federal Award Number / Year	C1-S1 2001 and C1-S1 2002 CH-S1 2001 and CH-S1 2002
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Allowable Costs/Cost Principles

OMB cost principles circular A-87, Attachment A, Section C-3, the approved Consolidated Local Plan (CLP) for Title I and the grant agreement of the Public Charter Schools Subsidy Grant prescribed the cost accounting policies associated with the administration of Federal awards by local governments.

The Academy's CLP allows for six (6) full-time teachers, fifteen (15) summer school teachers, one coordinator and one secretary to be paid with Title I funds. However, per our review of the Title I detailed expenditure reports, we noted that over sixty (60) different employees' salaries were charged to the Title I program.

The grant agreement for the Public Charter Schools Subsidy Grant which was approved by the Ohio Department of Education allowed the Academy to expend federal funds on purchased services and fringe benefits. Due to the lack of detailed supporting documentation, we were not able to identify the types of purchased services or the fringe benefits that were charged to the grant.

We recommend that the Academy review the CLP and other grant agreements to become familiar with the requirements of the federal programs in order to comply with all federal requirements to avoid discontinuation of federal financial assistance.

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**GREATER CINCINNATI COMMUNITY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 Section .315 (b)
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10431-001	Finding for Recovery – Academy did not remit employees' SERS	Yes	As of June 23, 2003 SERS was paid in full.
2001-10431-002	Finding for Recovery against Terry Sylvester for misappropriation of funds	Yes	Payment received 11/20/02.
2001-10431-003	Finding for Recovery against Carl Shye for authorizing payments without adequate documentation	No	No repayment has been received as of June 23, 2003.
2001-10431-004	Finding for Recovery against board members	No	No repayment has been received as of June 23, 2003.
2001-10431-005	Citation per Ohio Rev. Code Section 149.351, unable to locate records	No	Re-issued as Finding # 2002-002
2001-10431-006	Citation per Ohio Rev. Code Section 3314.10(A)(2), not paying SERS & STRS	No	Re-issued as Finding # 2002-003
2001-10431-007	AoS Bulletin 2000-05, incorrect information in a lease agreement	No	Re-issued as Finding # 2002-004
2001-10431-008	Financial Plan Section, monthly financial reports not prepared or approved	No	Re-issued as Finding # 2002-005
2001-10431-009	Citation per Ohio Rev. Code Section 3314.03(J), loans not repaid by year end	No	Partially corrected. The Academy repaid the \$300,000 line of credit in full but did not repay the officer loans. Re-issued as Finding # 2002-011

Schedule of Prior Audit Findings
(Continued)

2001-10431-010	Citation per Ohio Rev. Code Section 3314.03(A)(8), failure to utilize USAS system	No	Reported in the management letter
2001-10431-011	Formal fixed asset policy and tracking system	No	Re-issued as Finding # 2002-007
2001-10431-012	Weaknesses in the cash reconciliation process	Yes	
2001-10431-013	Weaknesses in the non-payroll system	No	Re-issued as Finding # 2002-008
2001-10431-014	Credit card Reimbursement	No	Re-issued as Finding # 2002-009
2001-10431-015	Policy for debit card usage	Yes	
2001-10431-016	Travel expenditures not supported by detailed documentation	Yes	
2001-10431-017	Establish an effective monitoring control system	No	Re-issued as Finding # 2002-006
2001-10431-018	Academy's deposits were uninsured and uncollateralized.	No	Re-issued as Finding # 2002-10431-013
2001-10431-019	Academy did not establish a "Note Payment Fund."	No	Re-issued as Finding # 2002-10431-010
2001-10431-020	Lack of documentation of officer loans	No	Re-issued as Finding # 2002-10431-011
2001-10431-021	Lack of documentation of transactions with O&B Foundation	Yes	
2001-10431-022	Weaknesses in the payroll system	No	Partially corrected. The Academy had employment contracts for 2002, but they were not documented as approved in the minutes. This issue is addressed in Finding 2002-013
2001-10431-023	Deficiencies noted in the Board of Director minutes.	No	Re-issued as Finding # 2002-013
2001-10431-024	Final Expenditure Reports not completed or filed in a timely fashion.	No	Re-issued as part of Findings # 2002-015 and 016
2001-10431-025	The Academy does not segregate federal funds.	No	Re-issued and included as of Findings # 2002-015 and 016



**Auditor of State
Betty Montgomery**

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GREATER CINCINNATI COMMUNITY 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 16, 2003**