



**Auditor of State
Betty Montgomery**

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Youth Entrepreneurship Academy
Franklin County
C/O Ohio Community School Consultants
7215 Sawmill Rd. Suite 50
Dublin, Ohio 43016

To the Board of Trustees:

We have audited the accompanying financial statements of Columbus Youth Entrepreneurship Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2004, and for the six month period ended December 31, 2004. 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 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the Academy to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America. However, the accompanying financial statements have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements omit entity-wide statements, and assets, liabilities, fund equities, and notes to the financial statements, that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Academy as of and for the year ended June 30, 2004, and for the six month period ended December 31, 2004, in accordance with accounting principles generally accepted in the United States of America.

The Academy Board of Trustees approved on November 15, 2004, discontinuing operations and dissolving the 501C3 Corporation due to fiscal distress. The Academy discontinued operations on December 17, 2004.

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The Academy has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006, 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.

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

Betty Montgomery
Auditor of State

January 6, 2006

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004**

Operating Cash Receipts:

Foundation	\$155,172
Food Service	151
Tuition	342
Classroom Fees	218
Miscellaneous	253

Total Operating Cash Receipts 156,136

Operating Cash Disbursements:

Personal Services	86,513
Fringe Benefits	13,449
Purchased Services	77,757
Supplies and Materials	14,577
Capital Outlay	2,420
Other	5,250

Total Operating Cash Disbursements 199,966

Operating Loss (43,830)

Non-Operating Cash Receipts:

Operating Grants	9,760
Sale of Assets	4,000
Interest Income	64

Total Non-Operating Cash Receipts 13,824

Excess of Receipts Over/(Under) Disbursements (30,006)

Cash Beginning Balance 34,310

Cash Ending Balance \$4,304

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2004**

Operating Cash Receipts:	
Foundation	\$200,881
Miscellaneous	1,993
	<u>202,874</u>
Total Operating Cash Receipts	<u>202,874</u>
Operating Cash Disbursements:	
Personal Services	157,474
Fringe Benefits	36,085
Purchased Services	177,901
Supplies and Materials	23,408
Capital Outlay	7,262
Other	8,242
	<u>410,372</u>
Total Operating Cash Disbursements	<u>410,372</u>
Operating Loss	<u>(207,498)</u>
Non-Operating Cash Receipts:	
Operating Grants	225,000
Interest Income	367
	<u>225,367</u>
Total Non-Operating Cash Receipts	<u>225,367</u>
Excess of Receipts Over/(Under) Disbursements	17,869
Cash Beginning Balance	<u>16,441</u>
Cash Ending Balance	<u><u>\$34,310</u></u>



**Auditor of State
Betty Montgomery**

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

Columbus Youth Entrepreneurship Academy
Franklin County
C/O Ohio Community School Consultants
7215 Sawmill Rd. Suite 50
Dublin, Ohio 43016

To the Board of Trustees:

We have audited the financial statements of the Columbus Youth Entrepreneurship Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2004, and for the six month period ended December 31, 2004, and have issued our report thereon dated January 6, 2006, wherein we noted in our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Academy and the Academy discontinued operations on December 17, 2004. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-012 through 2004-017.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

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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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-011 and 2004-015.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for 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

January 6, 2006

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2004-001
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Finding for Recovery Repaid Under Audit – Disbursements

Ohio Revised Code Section 3314.01(B) states that “a community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education. A community school may sue and be sued, acquire facilities as needed, contract for any services necessary for the operation of the school, and enter into contracts with a sponsor pursuant to this chapter. The governing authority of a community school may carry out any act and ensure the performance of any function that is in compliance with the Ohio Constitution, this chapter, other statutes applicable to community schools, and the contract entered into under this chapter establishing the school.”

Also, AOS Technical Bulletin 2000-005 states: “Persons charged with preparing the annual financial report should be aware that this Office considers all community schools to be governmental not-for-profit organizations.”

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 governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Expenditures that were not for a proper public purpose were as follows:

- The consulting agreement between CYEA and Corner of Success, the Consultant, dated December 15, 2003, states, “Any reimbursement for mileage and incidentals will be submitted along with monthly invoice not to exceed \$300 per month, unless pre-approved by the board.” At the time of this agreement, Wanda Corner was acting as a consultant to the CYEA. In addition, the Board passed Resolution #21 on June 29, 2004, which states, the Board “approves a separate checking/debit card account to act as a petty cash account to be administered by the Superintendent of CYEA (Wanda Corner), with the oversight of the CYEA CFO, (Brian Adams). Last year the checking account was continued to simplify the approval process for day to day expenses (small purchases) such as school supplies and miscellaneous expenses. In addition, the account is utilized by the Superintendent for travel, cell phone, parking and mileage expenses related to the school“. Payments were made to Wanda Corner for alleged travel and cell phone expenses in the amount of \$1,300. Of these payments, \$100 was paid on January 7, 2004 and \$200 was paid on June 14, 2004. \$1,000 was paid between July 1, 2004 and December 10, 2004.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-001 (continued)
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Finding for Recovery Repaid Under Audit – Disbursements (Continued)

- The minutes dated June 29, 2004, indicated that a reimbursement form would be submitted to Brian Adams to explain the expenditures. However, individual checks were written to Wanda Corner in the amount of \$100 for one check and \$200 for six checks. No reimbursement forms or monthly invoices were presented, as required by the consulting contract and Resolution # 21 to verify that the amounts of the reimbursement checks written to Wanda Corner were supported by actual expenditures.

- ATM cash withdrawals in the amount of \$1,269.50 were made by Wanda Corner for which there were no supporting vendor invoices or receipts to support the withdrawals. There was no evidence a policy was in place governing ATM withdrawals prior to the consulting agreement between CYEA and Corner of Success, the Consultant, dated December 15, 2003, and Board Resolution #21, as noted above. Of the \$1,269.50 that was withdrawn, \$809.50 of the withdrawals were made between November 4, 2002 and April 7, 2003; \$310 of the withdrawals were made between November 19, 2003 and May 10, 2004; and \$150 of the withdrawals were made between September 27, 2004 and October 28, 2004. Because the withdrawals of \$809.50 were made prior to CYEA entering into a consulting contract with Brian Adams, only \$460 of the total \$1,269.50 will be included as a finding against Brian Adams and his bonding company.

- On September 24, 2002, Wanda Corner made a debit card purchase to NWA Air. An invoice presented for this purchase. However, there was no supporting documentation for \$79.05 of the debit card purchase. Because this transaction was entered into prior to CYEA entering into a consulting contract with Brian Adams, the \$79.05 will not be included as a finding against Brian Adams and his bonding company.

- A reimbursement of \$124.37 was made to Wanda Corner by Brian Adams, check # 1076, for items that were already purchased and paid for with the Academy's debit card.

- Salary payments to Wanda Corner for the period from September 1 through October 1, 2004, (three paychecks) were not properly computed. Ms. Corner should have been paid \$1,250 per pay period but was paid \$1,354 per pay period. The total amount of overpayments was \$312.

Consulting Agreements between CYEA and the Ohio Community School Consultants effective July 1, 2003 and ending on June 30, 2004, and July 1, 2004 and ending on June 30, 2005, state the "Consultant shall perform all duties described in item 1 of Exhibit A attached hereto and made a part hereof." Exhibit A, item 1, indicates the services that will be provided including, "act as fiscal agent with Brian G. Adams serving as Chief Fiscal Officer."

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-001 (continued)
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Finding for Recovery – Disbursements (Continued)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended would have been issued against Wanda Corner, Superintendent/Consultant in the entire amount of \$3084.92, and Brian Adams, Fiscal Officer, and his bonding company, Western Surety Company, jointly and severally, in the amount of \$2,196.37, in favor of the Columbus Youth Entrepreneurship Academy.

On April 28, 2006, Wanda Corner paid \$2,000 of the Finding for Recovery and Brian Adams paid \$1,084.92.

In addition, we recommend that the Board develop and implement a resolution to establish policies and procedures to ensure expenditures are made for proper public purpose and meet the requirements enumerated in the Auditor of State Bulletin 2003-005 and 1982 Op. Atty. Gen No. 82-006.

Management's Response:

The school's Board ratified resolutions in June of 2004 and December of 2004 approving all revenues and expenses. Furthermore, the school turned over all of its documentation to the AOS in December 2004 as was required by the close out procedures from ODE. Also, the original audit team did not complete this audit and it has been 18 months since the school closed. It is reasonable to assume that during these 18 months others have touched the files and items have been misplaced. Given that the Auditor's office does not recognize the Board's authority to approve its expenses and since the records were out of the former management's control, we have little choice but to pay the finding.

Auditor of State's Analysis:

Blanket approvals of lists of revenues and expenses by the Board are not sufficient evidence in order to determine if individual expenditures have been made in accordance with the Academy's policies or whether an individual expenditure is supported by proper documentation and is for a proper public purpose.

Records submitted to the Auditor of State were not organized and were incomplete. See Finding 2004-015. It is the entity's responsibility to organize, maintain, and keep track of its records.

In addition, there was no cooperation from the Fiscal Officer during the course of the audit in retrieving additional items needed to complete the audit or in answering any questions about financial transactions. The original audit team completed the audit work using the records that were submitted by the Academy Fiscal Officer and a draft report of comments resulting from the audit was sent to Academy management for their review and comment. When members of the original audit team left employment with the Auditor of State, Auditor of State management retrieved and reviewed the records that were submitted by the Academy, revised the draft report, and met with the Academy's Fiscal Officer and Director to discuss the findings. Academy management was given an opportunity to produce any additional records that would result in removing any findings from the final report.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-002
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GAAP Financial Reporting

Ohio Rev. Code Section 3314.03(A)(8) requires that a community school file its financial reports in the same manner as school districts. Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, for the fiscal year ended June 30, 2004 and the six month period ended December 31, 2004, the Academy did not report on a GAAP basis. Pursuant to Ohio Revised Code Section 117.38 the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the Academy implement procedures to assure that reports are presented on a GAAP basis.

Management's Response:

The monthly financial reports were prepared according to GAAP and presented to the Board for approval. However when the school closed, there was no money to pay the fiscal agent to prepare a final report.

Finding Number	2004-003
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Annual Report of Activities

Ohio Rev. Code Section 3314.03(A)(11)(g) requires the Academy to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Rev. Code Section 3314.03, divisions (A)(3) and (4) (academic goals method to determine progress and performance standards to evaluate a school's success) and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-003 (Continued)
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Annual Report of Activities (Continued)

The Academy did not submit an annual report of its activities for the period ended December 31, 2004, and for fiscal year ended June 30, 2004. We recommend the Academy implement procedures to assure the annual report of its activities and progress in meeting the goals and standards of Ohio Rev. Code Section 3314.03, divisions (A)(3) and (4) (academic goals method to determine progress and performance standards to evaluate a school's success) and its financial status is properly submitted to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight.

Management's Response:

Agree with this finding.

Finding Number	2004-004
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Board Minutes

Ohio Department of Education (sponsor) Community School Contract, dated July 1, 2002 - Exhibit III, Section 3.2, states in part, "the secretary will maintain the meeting minutes and any other correspondence or legal actions handled by the board."

Further, Ohio Rev. Code Section 3314.03(A)(11)(d) requires a community school to comply with Sections 121.22 and 149.43 of the Ohio Revised Code.

Ohio Rev. Code Section 121.22(C) states, in part, that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

Additionally, Ohio Rev. Code Section 149.43(B)(1) states, in part, that subject to division (B)(4) of this section, all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy did not maintain meeting minutes for January, February, October, and December 2004.

Management's Response:

Minutes for these meetings were taken and provided in a binder for the AOS. Mr. Adams has copies of resolutions and minutes for February, October, and December of 2004. Since the Board disbanded in December 2004, it's understandable that no minutes from that meeting would be available to approve.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-004 (Continued)
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Board Minutes (Continued)

Auditor of State's Analysis:

The minutes for these particular meetings were not in the binder presented to AOS. In addition, Academy management received this draft comment and was given an opportunity to present the minutes for these meetings. No minutes were presented.

Finding Number	2004-005
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Board Members

Ohio Department of Education (sponsor) Community School Contract, dated July 1, 2002 - Bylaws Article IV, Section 1, states in part, "the board shall have up to ten and not fewer than seven members."

The Academy had fewer than seven board members during 2004.

Management's Response:

Agree with the finding.

Finding Number	2004-006
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Healthcare

Ohio Department of Education (Sponsor) Community School Contract dated July 1, 2002 – Article III C – Governance and Administrative Plan, states that the Academy agrees to comply with the provisions as set forth in the Governance and Administrative Plan (Exhibit 3) for providing health care and other benefits to Academy employees. Exhibit 3 part 3.9 indicates the provisions shall include but not be limited to health care plans and options for staff.

Although some medical expenses were paid for certain employees, the Academy did not provide health care to its employees on a consistent basis, as required by the Community School Contract.

Management's Response:

Agree with the finding. The school tried to implement a healthcare package. But the limited number of students did not provide sufficient revenue to make it cost effective.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-007
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Reporting of Miscellaneous Income (1099)

26 CFR 1.6041-1 requires, in general, that payments to contractors in excess of \$600 must be shown on Form 1099.

The Academy made payments as follows which were not reported on Form 1099:

	6/30/2004	12/31/2004	Totals
Dr. Mary Jane Kaufman	\$3,089	\$0	\$3,089
Carolyn Georgiton	4,221	1,000	5,221
Walter M Nichol	-	8,000	8,000
Patrick Brown	9,884		9,884
Kindra Riber	3,337	-	3,337
Totals	\$ 20,531	\$ 9,000	\$ 29,531

We recommend the Academy implement procedures to assure that payments in excess of \$600 to contractors are properly reported on Form 1099.

This matter will be referred to the Internal Revenue Service.

Management's Response:

ADP was the schools payroll specialist during the life of the school. The individuals listed on this report were paid through ADP and would have had 1099s issued. This is another example of how documentation provided has been misplaced due to the time lag of the release of this audit and staff turnover.

Auditor of State's Analysis:

1099s were not presented for audit for the above named individuals. In addition, the Academy's management was given this comment and had the opportunity to present 1099's for these individuals. Also see the response in the Auditor of State's Analysis in finding 2004-001.

Finding Number	2004-008
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Resolutions, Rules and Formal Actions

Ohio Rev. Code Section 3314.03(A)(11)(d) requires a community school to comply with Sections 121.22 and 149.43 of the Ohio Revised Code.

Ohio Rev. Code Section 121.22 (7)(H) states that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized in division (G) or (J) of this section.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-008 (Continued)
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Resolutions, Rules and Formal Actions (Continued)

The Academy approved various resolutions, contracts, and lease agreements that were not adopted in open meetings of the Board of Trustees. These included, but were not limited to, consulting contracts with Corner of Success, Inc. (dated December 15, 2003 and June 1, 2004), Ohio Community School Consultants (July 1, 2003), Dr. William Nichols (October 6, 2004), Patrick Brown as School Director (August 13, 2003), and a lease agreement with Big Brothers Big Sisters Association of Central Ohio (May 31, 2003).

We recommend the Academy implement procedures to assure that all formal actions of the Board of Trustees are adopted only at open meetings. The minutes should document the Board Resolution number and brief description, a roll call of the results of voting, and the results of the vote.

Management's Response:

Board resolutions were approved as required by ORC. This is another example of how documentation provided has been misplaced by the AOS due to the time lag of the release of this audit.

Auditor of State's Analysis:

Any documentation or records received by the Academy were reviewed by the Auditor of State. See the Auditor of State's Analysis in finding 2004-001.

Finding Number	2004-009
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School Teachers Retirement

Ohio Rev. Code Section 3314.10(A)(2) states, in pertinent part, that as applicable, employment under this section is subject to either Chapter 3307 or 3309 of the Revised Code.

Ohio Rev. Code Sections 3307.01, 3307.26, and 3307.28 require that governments enroll most of their employees in the 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 deduct and withhold school teachers' retirement system from wages earned by an employee for calendar year 2004 as follows:

<u>Employee</u>	<u>Position</u>	<u>Salary</u>	<u>Employee Retirement</u>	<u>Employer Retirement</u>
Lakeshia Hoyle	business teacher	\$2,086	\$209	\$292

This matter will be referred to the School Teachers Retirement System and to the Internal Revenue Service.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-009 (Continued)
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School Teachers Retirement (Continued)

Management's Response:

The individual named on this finding was an independent contractor providing services to the school. As such they were not required to participate in the retirement system.

Auditor of State's Analysis:

This individual received a form W2 and, therefore, was considered an employee.

Finding Number	2004-010
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School Employees Retirement

Ohio Rev. Code Section 3314.10(A)(2) states, in pertinent part, that as applicable, employment under this section is subject to either Chapter 3307 or 3309 of the Revised Code.

Ohio Rev. Code Sections 3309.23, 3309.47 and 3309.49, require that governments enroll most of their employees in the 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 deduct and withhold school employees' retirement system from wages earned by the following employee during calendar year 2003:

<u>Employee</u>	<u>Position</u>	<u>Salary</u>	<u>Employee Retirement</u>	<u>Employer Retirement</u>
Dennis Hurt	Aide	\$720	\$72	\$101

This matter will be referred to the School Employees Retirement System and to the Internal Revenue Service.

Management's Response:

The individual named on this finding was an independent contractor providing services to the school. As such they were not required to participate in the retirement system.

Auditor of State's Analysis:

This individual received a form W2 and, therefore, was considered an employee.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-011
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Fiscal Officer Bonding

Ohio Rev. Code Section 3314.011 states that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the state, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Ohio Admin. Code Section 117-6-07 requires the fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in Ohio Rev. Code Section 3314.011. The bond amount and surety is to be established by a resolution of the governing authority.

The Academy appointed Mr. Brian Adams as the fiscal officer for a term of July 1, 2003 through June 30, 2004, and July 1, 2004 through June 30, 2005. The fiscal officer executed a bond in the amount of \$50,000 for the term of one year commencing on October 1, 2003 and 2004. The bond was not approved by the Board of Trustees and was not executed prior to entering upon the duties as fiscal officer.

We recommend the Board of Trustees of the Academy approve the fiscal officer's bond. This approval should be documented by resolution in the minutes of the Board. The bond should be executed prior to the fiscal officer entering upon his duties.

Management's Response:

Agree with the finding.

Finding Number	2004-012
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Purchasing and Payroll Policies and Procedures

The Academy established policies for billing procedures which include the issuance of purchase orders for purchase commitments. The check stub, original bill, and purchase order were to be filed by the Treasurer. The Board also established a policy whereby debit card expenditures could not exceed \$1,000 monthly.

Academy policy was that timesheets indicating hours worked be approved for each pay period by the employee's supervisor.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-012 (Continued)
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Purchasing and Payroll Policies and Procedures (Continued)

During our testing, we noted the following:

Twenty-seven percent (27%) of purchase orders tested were issued subsequent to the date of commitment.

The Academy incurred overdraft fees in the amount of \$1,263.

For the audit period, twenty-eight percent (28%) of aggregate monthly debit card expenditures exceeded the \$1,000 monthly limitation as approved by the Board of Trustees.

Fourteen percent (14%) of employee timesheets tested were not properly approved by the employee's supervisor.

Fourteen percent (14%) of employee timesheets selected for testing were not on file.

Not following purchasing and payroll policies and procedures may lead to theft, deficit spending, adverse fiscal conditions, improper related party transactions, or purchases of goods and services that are for improper public purposes.

We recommend the following:

- The Treasurer should certify the amount required to meet a purchase commitment has been budgeted and is in the treasury or in the process of collection to the credit of a fund free from any previous commitment prior to authorizing the purchase. A Board Member, or his designee, should also sign the purchase order indicating that the purchase of goods or services has been approved prior to purchase.
- Procedures should be implemented to ensure that overdraft fees are not incurred.
- Monitoring procedures should be implemented to ensure debit card expenditures do not exceed the \$1,000 monthly limitation, as set by the Board of Trustees.
- Procedures should be implemented to ensure that employee timesheets are properly prepared, maintained and approved by the employee's supervisor.

Management's Response:

This is another example of how documentation provided has been misplaced by the AOS due to the time lag of the release of the audit and the staff turnover.

Auditor of State's Analysis:

Any documentation or records received from the Academy were reviewed by the Auditor of State. See the Auditor of State's Analysis in finding 2004-001.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-013
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Payroll Disbursements

System generated payroll register reports were not reviewed by the School Director to ensure that all information was correctly entered and processed as submitted. The reports were on file, however, there was no indication the reports were reviewed.

Failure of the School Director to review and approve system generated payroll register reports could lead to payment of improper or non-Academy employees, use of incorrect hours and pay rates for payroll calculations, and possible calculation errors without the timely detection by management.

We recommend the School Director review and approve all system generated payroll register reports in accordance with Academy employee rosters and pay schedules. The approval should be documented by signoff on the payroll report.

Management's Response: While the School Director did not sign all time sheets, the Principal did during the 1st half of the school year. Furthermore, either the Principal, Director or Office Manager had to fax all of the time sheets to the fiscal agent for processing. Thus, the school approval was given by an appropriate school designee.

Auditor of State's Analysis:

Management's response does not address the issue of reviewing payroll register reports for accuracy.

Finding Number	2004-014
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Monitoring Controls

Although the Board received financial reports from the Treasurer, effective monitoring controls over financial operations were not implemented by the Academy's management. Lack of effective monitoring controls could allow for operational failures and errors to occur without timely detection by management.

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

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-014 (Continued)
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Monitoring Controls (Continued)

To assist management in detecting potential material financial and or compliance transactions that may affect financial operations, we recommend the Board develop and implement monitoring controls. Some of these monitoring controls may consist of, but may not be limited to, the following:

- approval of the annual budget;
- regular review of monthly budgeted and actual figures;
- regular review of financial summaries (detailed revenue, expenditure, and fund balance reports)
- review of key performance indicators;
- review of payable aging reports;
- review of unusual or significant and long outstanding items;
- monitoring grant expenditures in accordance with grant requirements;
- ensuring adequate segregation of duties exists, and;
- review of monthly bank reconciliations.

Management's Response:

This finding has no merit at all. The Board received its appropriate reports and presentations. At no time was the Board not aware of the financial situation of the school. Because the school was on such shaky financial footing, the Director and Fiscal Agent met almost weekly to review finances and ensure that the school would be able to meet its obligations.

Auditor of State's Analysis:

We were only able to speak with one Board member. While the Board member indicated they received reports for monitoring purposes, we were not able to verify that the Board actually performed effective monitoring procedures.

Finding Number	2004-015
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Availability of Records

Ohio Rev. Code Section 3314.03(A)(11)(d) requires a community school to comply with Sections 121.22 and 149.43 of the Ohio Revised Code.

Ohio Rev. Code Section 149.43(B)(1) states in part that subject to division (B)(4) of this section, all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Records presented for audit were not organized and were incomplete. In addition, there were numerous delays in receiving requested records.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-015 (Continued)
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Availability of Records (Continued)

When records are not well organized, it is difficult for the Academy to ensure that all required records have been maintained and presented for inspection. Also, audit costs increase when requested records are not timely received and when auditors are required to organize records prior to performing the audit.

In order to facilitate broader access to public records, the Academy should maintain records in such a manner that they can easily be made available for inspection.

Management's Response:

This is another example of how documentation provided has been misplaced by the AOS due to the time lag of the release of this audit and the staff turnover. Furthermore, the auditors office assumes that former staff has the financial resources to take time off of current work assignments and devote themselves to clients who have gone out of business. In essence, the AOS expects persons no longer affiliated with defunct business to forgo earnings to work with them.

Auditor of State's Analysis:

See Auditor of State's Analysis in Finding 2004-001.

Finding Number	2004-016
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Maintaining Supporting Documentation of Expenditures

Supporting documentation was not provided for the following expenditures:

Salary payments during fiscal year ended June 30, 2004, were recorded in the amount of \$5,054. ADP payroll reports were not presented to support these payments.

While there was evidence of work performed and a contract between the Academy and an architectural firm was executed, payments of \$20,282 made to an architectural firm were not supported by invoices.

A payment of \$3,092 was made for insurance, however, the invoice was in the amount of \$3,047. There was no evidence to support that the additional \$45 paid to the insurance company was proper.

A payment of \$2,120 was made for transportation services. There was no invoice to support this payment.

Not maintaining proper documentation for expenditures could result in improper or incorrect amounts paid to individuals or vendors, unauthorized expenditures, or misuse of funds.

We recommend payments only be made when there is documentation to support them and that all documentation is maintained.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-016 (Continued)
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Maintaining Supporting Documentation of Expenditures (Continued)

Management's Response:

This is another example of how documentation provided has been misplaced by the AOS due to the time lag of the release of this audit and the staff turnover. Because the school turned over its documentation, there is no way to refute this finding.

Auditor of State's Analysis:

See the Auditor of State's Analysis in Finding 2004-001.

Finding Number	2004-017
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Employee Versus Independent Contractor Status

The Academy has determined whether individuals are employees or independent contractors based solely on whether the individual is a worker who provides services under an employment contract. Although the contract may demonstrate the intention of the parties, it alone does not define the type of business relationship.

IRS Publication 15(a) states, in part, generally an employer must withhold federal income tax, withhold and pay social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee. And, generally an employer does not withhold or pay taxes on independent contractors. However, to determine whether an individual is an employee or an independent contractor, under common law, the relationship of the worker and the business must be examined. In any employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered.

Facts that provide the evidence of the degree of control and independence fall into three categories: behavior control; financial control; and the type of relationship of the parties. Behavior control facts are demonstrated by the instructions and training that the business gives the worker. For example: when and where to do the work, what tools or equipment to use, what workers to hire or to assist in the work, where to purchase supplies and services, what work is to be performed by a specified individual, and what order or sequence to follow. Financial control facts are demonstrated whether the business has a right to control the aspects of the worker's job. For example: the extent to which the worker has un-reimbursable business expenses, the extent of the worker's investment, the extent to which the worker provides his or her service to the relevant market, how the business pays the worker, and the extent to which the worker can realize a profit or loss. The type of relationship the parties intend to create can be demonstrated in a contract, but other factors should also be considered to understand the party's relationship. For example: whether the business provides the worker employee type benefits such as insurance, pension plan, vacation and sick pay, the permanency of the relationship, and the extent to which the services performed by the worker are a key aspect of the regular business of the company.

**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
AND THE SIX MONTH PERIOD ENDED DECEMBER 31, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	2004-017 (Continued)
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Employee Versus Independent Contractor Status (Continued)

The Academy has not made any evaluation of the behavior control, financial control and the type of relationship of the parties believed by the Academy to be independent contractors.

We recommend the Academy make the evaluation using the guidance noted in IRS Publication 15(a) before declaring any worker as an employee or independent contractor. In the event such worker is considered an independent contractor, the Academy should have evidence to support the determination in line with the degree of control and independence as defined in the IRS Publication 15(a). The Academy should be prepared to provide such evidence to interested parties to support their conclusion.

This matter will be referred to the Internal Revenue Service.

Management's Response:

The school employed contractors to work part-time to provide services as the schools enrollment was so low. This is in keeping the Entrepreneurial spirit of the school. As such these contractors were expected to set their own schedule, provide their own supplies, and be available as needed for students.

Auditor of State's Analysis:

There were instances noted where persons received both a form 1099 and a form W2.



**Auditor of State
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**COLUMBUS YOUTH ENTREPRENEURSHIP ACADEMY
FRANKLIN COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 25, 2006**