MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007

Dave Yost • Auditor of State

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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INDEPENDENT ACCOUNTANTS' REPORT

Marcus Garvey Academy
Cuyahoga County
405 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the accompanying basic financial statements of the business type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraphs three through six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The Academy did not maintain sufficient documentation to support amounts recorded as accounts payable and accrued wages and benefits payable.

The Academy did not maintain sufficient documentation to support disclosures or amounts recorded as capital assets.

The Academy did not maintain sufficient documentation to support disclosures or amounts recorded for its line of credit.

The Academy did not maintain sufficient documentation to support student attendance, which supports recognition of foundation payments recorded in the financial statements.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have required for accounts payable, accrued wages and benefits, capital assets, the line of credit or foundation payments described above, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Garvey Academy, as of June 30, 2007, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note XII to the basic financial statements, the Academy has a net deficit of $201,197. In addition, as noted in Note XI, the Academy had its funding suspended in April, 2011 by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. Under the Ohio Revised Code, a community school may not operate without a sponsor. These conditions raise substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Dave Yost

Dave Yost
Auditor of State

May 12, 2011

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Marcus Garvey Academy's (the Academy's) financial performance provides and overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

- In total, net assets decreased $132,584 from 2006. This decrease was related to a significant increase in the total liabilities of the Academy from the prior year.

- Total liabilities increased $73,017 from the prior fiscal year. To assist with cash flow, liabilities related to wages and benefits of employees were stretched over a longer period during the year which increased the amount recorded as a liability at June 30, 2007.

- Total revenues decreased $45,386. While other operating revenues increased by $41,517, foundation revenue decreased by $98,945 from the amount received in 2006.

- The total assets of the Academy decreased by $59,567 over 2006. The increase to liabilities as well as the Academy paying down $12,000 of its line of credit liability during the year contributed to this decrease in total assets.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2007 and 2006.

Table 1
Net Assets

	2007	2006
Current Assets	$ 5,836	$ 52,154
Capital Assets, Net	38,669	51,918
Total Assets	44,505	104,072
Current Liabilities	245,702	172,685
Total Liabilities	245,702	172,685
Net Assets:		
Invested in Capital Assets, net	38,669	51,918
Unrestricted	(239,866)	(120,531)
Total Net Assets	$ (201,197)	$ (68,613)

The positive portion of the Academy's total assets reflects its investment in capital assets net of related debt. The Academy uses capital assets to provide services; consequently, these assets are not available for future spending.

Net Assets of the Academy have decreased $132,584 and unrestricted net assets reflect a negative balance of $201,197. The decrease in net assets is primarily the result of the increase in current liabilities. To assist with cash flow, wages and benefits payable were stretched over a longer period than prior years which increased the amount recognized as payable at June 30, 2007.

This statement reports the Academy's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2007 and 2006, as well as revenues and expenses.

Table 2
Changes in Net Assets

	2007	2006
Operating Revenues:		
Foundation payments	$814,001	$912,946
Sales	748	0
Other Operating Revenues	55,573	14,056
Non-Operating Revenues:		
Federal and State subsidies	191,183	179,889
Total Revenues	$1,061,505	$1,106,891
Operating Expenses:		
Salaries & Wages	673,549	602,049
Fringe Benefits	169,903	139,940
Purchased Services	239,593	310,127
Materials & Supplies	39,492	62,158
Depreciation	13,931	13,539
Miscellaneous	48,479	43,455
Non-Operating Expenses:		
Interest expense	9,142	8,807
Total Expenses	$1,194,089	$1,180,075
Change in Net Assets	($132,584)	($73,184)

The Academy's net assets decreased significantly during 2007, resulting in a deficit balance. The Academy received $98,945 less in foundation revenue during the year than in 2006. While operating expenses remained fairly stable, increases were noted to the amount of wages and benefits to employees to provide services to students. In addition, the Academy retired $12,000 of its line of credit liability during the year.

Capital Assets

The Academy maintains a capitalization threshold of $500. At June 30, 2007 the Academy had invested $38,669 in capital assets, and had reported $31,607 in accumulated depreciation. Additional information regarding capital asset activity is included in the notes to the basic financial statements (Note II).

Debt Activity

During fiscal year 2003, the Academy opened a line of credit with a local financial institution for cash flow purposes at various times during its initial and subsequent years of operation. During fiscal year 2007, the Academy retired $12,000 of their principal balance, leaving $86,810 outstanding at June 30, 2007.

Restrictions and Other Limitations

The future financial stability of the Academy is not without challenges.

The first challenge is the state economy. The Academy does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the Academy.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Marcus Garvey Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to Marcus Garvey Academy, Attn: Treasurer, 405 East 105th Street, Cleveland, Ohio 44108
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Marcus Garvey Academy
Cuyahoga County
Statement of Net Assets
as of June 30, 2007

Assets	
Current Assets	
Cash and Investments	$2,528
Receivable - Accounts	3,308
Total Current Assets	5,836
Non-Current Assets	
Capital assets (Net of Accumulated Depreciation)	38,669
Total Assets	44,505
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	26,556
Accrued Wages & Benefits	113,929
Due to Other Governments	18,407
Line of Credit	86,810
Total Current Liabilities	245,702
Total Liabilities	245,702
Net Assets	
Invested in Capital Assets	38,669
Unrestricted	(239,866)
Total Net Assets	($201,197)

The accompanying Notes are an integral part of the Financial Statements

Marcus Garvey Academy
Cuyahoga County
Statement of Revenues, Expenses,
and Changes in Net Assets
for the Fiscal Year ended June 30, 2007

Operating Revenues	
Sales	$748
Foundation Payments	814,001
Other Operating Revenues	55,573
Total Operating Revenues	870,322
Operating Expenses	
Salaries & Wages	673,549
Fringe Benefits	169,903
Other Purchased Services	239,593
Materials & Supplies	39,492
Depreciation	13,931
Miscellaneous	48,479
Total Operating Expenses	1,184,947
Operating Income	(314,625)
Non-Operating Revenues and (Expenses)	
Federal subsidies and State Grants	191,183
Interest Expense	(9,142)
Total Non-Operating Revenues and (Expenses)	182,041
Change in Net Assets	(132,584)
Net Assets (Deficit) beginning of year	(68,613)
Net Assets (Deficit) end of year	($201,197)

The accompanying Notes are an integral part of the Financial Statements

Marcus Garvey Academy
Cuyahoga County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2007

Cash Flows from Operating Activities	
Cash received from sales	$748
Cash received from Foundation Payments	814,001
Cash received from Other Operating Revenues	98,573
Cash payments for personal services	(778,334)
Cash payments for contract services	(221,831)
Cash payments for supplies and materials	(37,355)
Cash payments for Miscellaneous	(91,479)
Net Cash Provided By/(Used for) Operating Activities	(215,677)
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	253,777
Principal repaid	(12,000)
Interest Expense	(9,142)
Net Cash from Noncapital Financing Activites	232,635
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(682)
Net Cash Used for Capital and Related Financing Activities	(682)
Net increase in cash and cash equivalents :	16,276
Cash and cash equivalents at beginning of year	(13,748)
Cash and cash equivalents at end of year	$2,528
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Income	($314,625)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation	13,931
Changes in Assets and Liabilities:	
Accounts Payable	17,145
Accrued Wages and Benefits	60,138
Intergovernmental Payable	7,734
Total Adjustments	98,948
Net cash provided (used) by operating activities	($215,677)

The accompanying Notes are an integral part of the Financial Statements

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I. Description of the School and Reporting Entity

Marcus Garvey Academy (the Academy) is a non-profit corporation established July 1, 2002 pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students from low income families in grades sixth through eighth. The Academy which is part of the State's Education program, is independent of any school district, and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code effective December 2006. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

On November 19, 2001 the Academy submitted a proposal to the Ohio Department of Education to open a community school in the fall of 2002. The Ohio Department of Education approved the proposal and entered into a contract with the Academy, which provided for the commencement of operations at the beginning of the 2002-2003 school year.

The Academy was approved for operation under contract with Ashe Culture Center, Inc. (the Sponsor) for a period of five years commencing July 1, 2005 and shall terminate on June 30, 2010. The Sponsor is responsible for evaluating the performance of the school and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a 5-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board controls the Academy's instructional facility staffed by ten classified and ten certified full time personnel who provide services to 116 students.

II. Summary of Significant Accounting Policies

The financial statements of the Academy 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.

II. Summary of Significant Accounting Policies (Continued)

1. Basis of Presentation

The Academy uses enterprise accounting to track and report on its financial activities. 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.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund 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. Operating statements present increases (e,g. revenues) and decreases (e.g. expenses) in net total assets.

The basis of accounting refers to when revenues and expenses 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. Contributions and grants are recognized when the donor makes a promise to give to the Academy that is unconditional.

3. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the schools contract with its sponsor. The contract between the Academy and its sponsor requires a detailed budget for each year of the contract.

4. Cash and cash equivalents

All monies received by the Academy are maintained in a demand deposit account in the name of Marcus Garvey Academy. For internal accounting purposes, the Academy segregates its cash.

5. Estimates

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

II. Summary of Significant Accounting Policies (Continued)

6. Intergovernmental Receivables

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2007, of which all grant requirements had been satisfied, consisted of the School Nutrition Program which totaled $3,308.

7. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value on the date received. The Academy maintains a capitalization threshold of $500. The Academy does not possess any infrastructure.

Depreciation and amortization of leasehold improvements, computers, and equipment are computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

Assets	Years
Computers and Equipment	5

8. 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 they are earned and become measurable.

9. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore, the Academy does not accrue vacation time as a liability.

Sick leave/ Personal leave benefits are earned by full time employees at the rate of eight days per year and cannot be carried into the subsequent year. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

10. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2007, including:

Accounts Payable – A liability has been recognized at June 30, 2007 for purchases made after year-end that were for services rendered in fiscal year 2007.

II. Summary of Significant Accounting Policies (Continued)

10. Accrued Liabilities Payable (Continued)

Wages Payable – a liability has been recognized at June 30, 2007 for salary payments made after year-end that were for services rendered in fiscal year 2007.

Intergovernmental Payable – payment for the employer's share of the retirement contribution, workers' compensation, and Medicare associated with services rendered during fiscal year 2007, but where not paid until the subsequent fiscal year.

11. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

III. Deposits and Investments

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits totaled $2,528 and its bank balance was $5,864. All of the bank balance was covered by the Federal Depository Insurance Corporation.

IV. Capital Assets

A summary of the Academy's capital assets as of June 30, 2007 follows:

Computers and Equipment	$ 70,276
Less: Accumulated Depreciation	(31,607)
Net Capital Assets	$ 38,669

V. Purchased Services

Purchased Services include the following:

Professional and Technical Services	$ 104,868
Property Services	33,934
Travel	16,921
Communications	18,066
Utilities	791
Contract Services	59,813
Tuition	1,000
Pupil Transportation	4,200
Total Purchased Services	$ 239,593

VI. Debt

The Academy held the following debt during the fiscal year:

1. Line of Credit

During fiscal year ending 2003 the Academy entered into a short-term debt agreement with National City Bank for a line of credit. The following is a summary:

Line of Credit	Credit Limit	Balance June 30, 2007
6.25% National City	$100,000	$86,810

Principal payments of $55,000 were made during fiscal year 2007. Interest payments in the amount of $9,142 were made during the year. The line of credit is uncollateralized. This line of credit is presented on the financial statements as liabilities.

VII. Risk Management

1. 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 fiscal year 2007, Marcus Garvey Academy contracted with Pinkney-Perry Ins. Agency Inc. for all of its insurance.

General liability coverage has a $2,000,000 single occurrence limit and $4,000,000 aggregate. Hired and Non-Owned Vehicles are covered at $1,000,000 combined single limit of liability.

2. Employee Medical, and Dental Benefits

The Academy provides medical insurance benefits through Kaiser Permanente, and dental benefits through Humana, Inc. to all full time employees. The Academy pays 50% of the monthly premium for medical insurance and no payment for dental coverage.

3. Workers' Compensation

The Academy makes premium payments to the Ohio Worker's Compensation System for employee injury coverage. As of June 30, 2007 there have been no claims filed by Marcus Garvey employees with the Ohio Worker's Compensation System.

VIII. Defined Benefit Pension Plans

1. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual

VIII. Defined Benefit Pension Plans (Continued)

1. School Employees Retirement System (Continued)

cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The current school rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were $29,240, $ 30,565, and $18,509 respectively. 86.22 percent has been paid for 2007. 100 percent has been paid for 2006 and 2005.

2. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsohio.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the

VIII. Defined Benefit Pension Plans (Continued)

2. State Teachers Retirement System (Continued)

option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were $40,929, $40,711, and $32,213, respectively; 80.91 percent has been contributed for fiscal year 2007 and 100 percent for fiscal year 2006 and 2005.

3. Postemployment Benefits

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

All STRS Ohio retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount was $3,148 for fiscal year 2007.

VIII. Defined Benefit Pension Plans (Continued)

3. Postemployment Benefits (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Fund was $3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000, and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42 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 fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at two percent of each employer’s SERS salaries. For the Academy, the amount to fund health care benefits, including the surcharge, during the 2007 fiscal year was $14,077.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, were $158.4 million. As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221 percent of next year’s projected net health care costs of approximately $133.8 million. On the basis of actuarial projections, the allocated contributions will be less than the total claims in future years and the future reserve amounts will eventually be less than the target of 150 percent of estimated annual net claim costs. SERS has approximately 57,868 participants receiving health care benefits.

IX. Grant Contingencies

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 Marcus Garvey Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Marcus Garvey Academy at June 30, 2007.

X. Related Parties

GAP Communication Group is owned by Alexandria Boone, the founder and Deputy Head of School of Marcus Garvey Academy. The Academy paid GAP, Inc. for marketing and advertising services totaling $7,000.

Aries Transportation Company is owned by Alexandria Boone, the founder and Deputy Head of School of Marcus Garvey Academy. The Academy paid Aries Transportation Company for the rental of vans, maintenance and drivers totaling $22,732.

XI. Subsequent Events

In April 2011, the Academy had its funding frozen by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. Pursuant to the Ohio Revised Code, the Academy may not operate without a sponsor.

XII. Possible Financial Distress

As of June 30, 2007, the Academy had a net deficit fund balance of $201,197. In addition, as noted in Note XI, the Academy had its funding suspended in April 2011, by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. The Academy is aware of these situations and is currently in the process of obtaining financial records from its sponsor and Treasurer and is in pursuit of a new sponsor.

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

Marcus Garvey Academy
Cuyahoga County
405 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the financial statements of the business-type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated May 12, 2011, wherein we noted there was insufficient evidence to support accounts payable and accrued wages and benefits, capital assets and the Academy's line of credit, and foundation payments. We also reported that the Ohio Department of Education suspended the Academy's funding in April, 2011, and the Academy's sponsor will not extend its sponsorship agreement after June 30, 2011. Ohio law prohibits community schools from operating without a sponsor. Therefore, our report expressed substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2007-001, 2007-002, 2007-004 through 2007-006, and 2007-009 through 2007-012 described in the accompanying schedule of findings to be material weaknesses.

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A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2007-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003, 2007-004, and 2007-006 through 2007-011.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 12, 2011.

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

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

Dave Yost

Dave Yost
Auditor of State

May 12, 2011

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

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

FINDING NUMBER 2007-001

Finding for Recovery – Material Weakness

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

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

On March 15, 2007, check number 100854 in the amount of $2,994 was issued and authorized by Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, and made payable to the Women of Color Foundation. There is no documentation of approval in the minute records of the Board of Directors. This payment was for four registrations to a "5th Annual Women of Color Foundation, Executive Women's Leadership Retreat." We were unable to determine the purpose of attendance in conjunction with the operation of the Academy and we were unable to locate the approval for this payment.

Without appropriate support documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen, to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-001 (Continued)

Finding for Recovery – Material Weakness (Continued)

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of $2,994 and in favor of Marcus Garvey Academy.

Official's Response:

This was for female Board Members' attendance at an educational seminar presented by the Woman of Color Foundation. The purpose was for professional development and networking that would/could help them to identify potential corporate sponsors, academic partners, grant opportunities, and potential volunteers for the Academy. Several of the workshops addressed leadership development and managing diversity in the workplace and was considered to be legitimate Board training. While the Board may have failed to approve this at an official Board meeting, they did have a Board discretionary fund and this expenditure was believed to be for a proper public purpose.

FINDING NUMBER 2007-002

Finding for Recovery – Material Weakness

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

During the fiscal year, the Academy made credit card payments totaling $31,141. The Academy was not able to provide supporting documentation for this amount. Of this amount, testing showed that Alexandria Boone was responsible for $8,517 worth of credit card purchases. Ross Cockfield, Executive Director, approved the payment of all credit card payments, and Stephen Sites served as Treasurer during the time period in question.

Without appropriate support documentation it is not possible to determine if the expenditure included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2007-002 (Continued)

Finding for Recovery – Material Weakness (Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of this expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Alexandria Boone, Developer and Director of Marketing, for her unsupported credit card purchases in the amount of $8,517 and in favor of Marcus Garvey Academy, and against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of $31,141 and in favor of Marcus Garvey Academy.

Official's Response:

Ms. Boone originally acquired this credit card in her name because the school had no credit. The credit card remained in the office until it was necessary for school related purchases to be made. While the card was in her name, the purchases could have been made by staff members authorized to do so.

FINDING NUMBER 2007-003

Federal Food Service Assistance – Material Noncompliance and Significant Deficiency

2 C.F.R. Part 225, Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2007-003 (Continued)

Federal Food Service Assistance – Material Noncompliance and Significant Deficiency (Continued)

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

During the audit period, the Academy did not maintain consistent attendance records. Due to this, it could not be determined if the amount of meals purchased from Kiddie Katering, Inc. and B&M Catering, the School's food vendor, was reasonable based on the number of students in attendance each day. The Academy received the following federal funds used to pay for student meals:

Programs:	Amount
School Breakfast, CFDA 10.553	$3,238
National School Lunch, CFDA 10.555	47,898
Total	$51,136

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

Official's Response:

Student attendance records have always been maintained at the Academy.

Auditor's Response:

Adequate supporting documentation was not provided to determine proper public purpose.

FINDING NUMBER 2007-004

Federal Money – Material Noncompliance and Material Weakness

2 C.F.R. Part 225), Appendix A, Section A.2 states that governmental units assume responsibility for administrating Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-004 (Continued)

Federal Money – Material Noncompliance and Material Weakness (Continued)

In fiscal year 2007, the grant funds below were forwarded to the Academy. The Academy, however, failed to provide invoices to the school to support any of the grant expenditures:

Programs:	**Amount**
Title I Disadvantaged Children Targeted Assistance, CFDA 84.010	$187,407
Drug Free Schools, CFDA 84.186	3,682
Title V Innovative Education Program, CFDA 84.298	4,197
Title II, Part D, Technology, CFDA 84.318	909
Improving Teacher Quality State Grants (Title II, Part A), CFDA 84.367	8,948
Special Education Cluster Grants To States (IDEA, Part B), CFDA 84.027	37,724
Total	**$242,867**

Education Management Information System (EMIS) allows ODE to provide the different levels of government with data required to determine funding, such as the percentage of Highly Qualified Teachers, Special Educations information, and other data used to determine federal funding. The School also did not maintain student attendance record. As a result, we could not determine how many students attended school and if they were entitled to this funding.

Had this been a federal Single Audit, the amounts mentioned above could have been *questioned costs*.

Official's Response:

Invoices for these expenditures were not required unless contracted out. It is standard practice to provide a Federal Expenditure Report (FER) that documents and outlines how all Federal grant funds were expended during the grant period. Unless this form is approved by the Ohio Department of Education (ODE), Office of Grants Management each year, funding for the next year is not awarded.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2007-005

Books, Records of Accounts, and Minutes – Material Weakness

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

The Academy failed to maintain files of public records, including original supporting documentation for non-payroll transactions. Also, the minute records of the Board of Directors did not provide board approval of salaries and wages paid to the employees or lease agreements entered into by the Academy. Consequently, we were unable to determine the completeness, accuracy, and validity of the non-payroll and payroll transactions.

Failure to maintain proper public records, may result in diminished transparency of the Academy.

We recommend the Academy maintain financial records which are complete and accurate.

Official's Response:

The Academy has taken steps to ensure that its minutes from duly-noticed public meetings are maintained in accordance with State requirements and that they are accurate and complete.

FINDING NUMBER 2007-006

Condition of Accounting Records – Material Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Management is responsible for developing and maintaining complete and accurate financial records. We noted that the records consisted of the following:

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2007-006 (Continued)

Condition of Accounting Records – Material Noncompliance and Material Weakness (Continued)

- The bank statements for the payroll account were missing for three of twelve months of the audit period;
- Cancelled checks were incomplete;
- Original supporting documentation for non payroll expenditures were not provided;
- No records existed for the board approval of employee wage rates and employee contracts;
- No records existed for the board approval for contracts and leases for the audit period;
- No payroll ledgers were provided;
- No documentation was available regarding liability insurance;
- Capital asset records did not exist; and
- There was no evidence of completion of monthly financial reports, nor of the Board reviewing or approving the financial activity of the Academy.

Management failed to provide supporting documentation, consequently we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's financial records.

The Academy management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of misstatement or fraud.

We recommend the Academy develop and maintain a system of controls and financial records which exhibit the financial position of the Academy.

Official's Response:

The Academy dismissed the Treasurer for the audit period in December 2007, and hired a new Treasurer in February 2008. Our financial records are substantially more accurate and complete since that time.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2007-007

Conflict of Interest – Material Noncompliance

Ohio Revised Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Additionally, Ohio Revised Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The following issue was noted during our engagement:

- Alexandria Boone, Founder and Deputy Head of School of the Academy, owns GAP Communications Group. During the audit period, the Academy made payments of $7,000 to GAP Communications Group for public relations, marketing services and administrative office services.

- Alexandria Boone, Founder and Deputy Head of School of the Academy, owns Aries Transportation Company. During the audit, the Academy made payments totaling $22,732 to Aries Transportation Company for rental of vans, maintenance and drivers.

As stated above, a public official is prohibited from having an interest in a public contract.

These matters will be referred to the Ohio Ethics Commission.

Official's Response:

The Board of Directors of the Academy was fully aware of Ms. Boone's interest in both of these companies. At this time, this information was fully disclosed as required by law so they felt there was no wrongdoing. Ms. Boone was an employee, not a Board member or public official, at the time and therefore did not vote on either of these actions.

In addition, the Academy had no credit, no one else was willing to purchase vans for the school's use so Ms. Boone did so and leased the vans back to the school. The Board has since developed a comprehensive conflict of interest policy to address these situations.

The Board determined that GAP Communications Group and Aries Transportation Services both provided quality services at a fair price.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-008

Fiscal Officer Designation, Bonding Requirement, and Licensing – Material Noncompliance

Ohio Revised Code Section 3314.011 provides the School designate an individual as the fiscal officer. The Ohio Administrative Code (OAC) Section 117-6-07 requires the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. The bond amount and surety is to be established by resolution of the governing authority. Bonding is conditioned on the faithful performance of the employee's official duties.

In addition, Ohio Revised Code Section 3314.011 provides, prior to assuming the duties of fiscal officer, the fiscal officer designee shall be licensed as prescribed by Section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under this section shall complete an additional twenty-four hours of continuing education within one year after assuming the duties of fiscal officer of the school.

The Academy did not make available a bond for the position of fiscal officer (treasurer). Should an error or theft occur without a performance bond, the Academy may not be able to recover all of its lost revenues. The Board did designate an individual as a fiscal officer, however, did not make available the necessary license of the fiscal officer (treasurer).

We recommend the Academy review the provisions of Ohio Revised Code sections 3314.011 and 3301.074, and OAC Section 117-6-07 and take the necessary steps to ensure that the fiscal officer is identified by the Board, the individual is adequately bonded and is licensed and has completed the required continuing education training.

Official's Response:

This situation has been rectified. Our current Treasurer is properly licensed and bonded.

FINDING NUMBER 2007-009

Developing and Implementing an Effective Monitoring System – Material Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C) (5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-009 (Continued)

Developing and Implementing an Effective Monitoring System – Material Noncompliance and Material Weakness (Continued)

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

The lack of effective monitoring could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws or regulations. This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected.

We recommend that management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Official's Response:

The Academy is taking steps to substantially correct.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-010

Capital Assets – Material Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Furthermore, the Academy's Capital Asset Policy states, in part, that the Academy will "maintain a comprehensive fixed assets program requiring periodic inventory of district assets". Further, the policy states, "The school board will be provided an annual report identifying equipment identifying equipment not accounted for. This equipment will be removed from district property records through school board action annually."

The Academy did not make available capital asset records to support the amounts recorded on the financial statements. For this reason we were unable to determine if the following records had been developed and updated:

- A capital asset accounting system, which was comprised of a complete capital asset listing by location, with tag or other identification numbers and other pertinent information;
- Procedures to record assets as additions when purchased and deletions when disposed of during the year;
- Annual depreciation expense and accumulated depreciation;
- A listing of capital assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose; and
- Invoices and supporting documentation.

Without maintaining accurate and complete records of capital assets purchased it is possible the Academy could misplace assets or assets could be stolen and not be reported.

To maintain adequate safeguards over capital assets and to reduce the risk that the Academy's assets may be misstated, we recommend management develop and implement procedures to be performed throughout the year for the recording and updating of capital assets, including an individual listing of items purchased with federal funds. These procedures should include tagging all capital assets meeting the established capitalization threshold. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into the capital asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed, and the capital assets listed on the accounting system should be compared to the items on hand and any discrepancies should be investigated.

Official's Response:

The Academy contracted with an appraisal firm to provide an accurate Capital Assets Inventory listing.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-011

Undocumented Enrollment for State Foundation Funding – Material Noncompliance and Material Weakness

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

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

During the audit period of July 1, 2006 through June 30, 2007, at the Academy, there were no:

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

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

As a result, State Foundation receipts totaling $814,000 in fiscal year 2007 was unsubstantiated and was not in accordance with Ohio Revised Code Section 3314.03(A)(11)(a).

This matter has been referred to Ohio Department of Education.

Official's Response:

All of the student information referred to in this finding was maintained and available on site at the Academy. These confidential records are under lock and key and never leave the school building.

Auditor's Response:

Adequate supporting documentation was not provided to determine proper public purpose.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2007-012

Development and Implementation of Purchasing Cycle Controls – Material Weakness

The Academy does not require written authorization prior to a purchase being initiated. In addition, verbal authorizations obtained from management are not regularly documented. Formal purchase requisitions, purchase orders, or tally sheets were not utilized and there was no process in place to match invoices and checks prior to making payment.

Failure to have a formal approval process for purchases may result in unauthorized disbursements and misuse of funds.

We recommend the Academy utilize purchase requisitions and/or purchase orders along with the payment record and obtain proper authorization before committing Academy funds. Academy personnel should provide written acknowledgment when goods and services are received.

In addition, Management should compare invoices, purchase orders, and receiving acknowledgments prior to authorizing payment. Board approval of monthly financial statements and the implementation of an accounting package would provide the necessary financial information to allow the Academy to make informed financial decisions.

Official's Response:

The Board gave the Executive Director contracting authority up to $5,000 to maintain day-to-day school operations without requiring approval of the Board.

Vendor contracts were available on site for review. Presently all invoices, checks, etc. are matched to appropriate purchase documents.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2006-001	Finding for Recovery	No	Reissued as part of findings 2007-001, 2007-002 and 2007-011
2006-002	Finding for Recovery	No	Reissued as part of findings 2007-001, 2007-002 and 2007-011
2006-003	Finding for Recovery	No	Reissued as part of findings 2007-001, 2007-002 and 2007-011
2006-004	Finding for Recovery	No	Reissued as part of findings 2007-001, 2007-002 and 2007-011
2006-005	Books, Records of Accounts, and Minutes	No	Reissued as 2007-005
2006-006	Condition of Accounting Records	No	Reissued as 2007-006
2006-007	Conflict of Interest	No	Reissued as 2007-007
2006-008	Fiscal Officer Designation, Bonding Requirement, and Licensing	No	Reissued as 2007-008
2006-009	Developing and Implementing an Effective Monitoring Control System	No	Reissued as 2007-009
2006-010	Development and Implementation of Purchasing Cycle Controls	No	Reissued as 2007-012

MARCUS GARVEY ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 14, 2011

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