



Dave Yost • Auditor of State



CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Carter G. Woodson Institute  
Montgomery County  
1 Elizabeth Place  
Dayton, Ohio 45408

To the Governing Board:

We were engaged to audit the financial statements of the Carter G. Woodson Institute, Montgomery County (the Institute), as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Institute's management.

We were unable to obtain sufficient evidential matter supporting grants receivable, total fixed assets, accounts payable, intergovernmental payable, total equity, total income, total expenses and total other income for the year ended June 30, 2010.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Institute's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Institute's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants, the identification of all federal assistance programs, and compliance with federal grant requirements.

Since the Institute did not provide the evidence and representations described in the second and third paragraphs above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements

The Institute declined to present a statement of cash flow and notes to the basic financial statements for the year ended June 30, 2010. Presentation of such statement summarizing the Institute's operating, investing, and financing activities and notes to the basic financial statements are an integral part of the financial statements and are required by accounting principles generally accepted in the United States of America.

The Institute also 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.

The Institute ceased operations at June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the Institutes 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.

Additionally, the Institute did not present a federal awards receipts and expenditures schedule which provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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**Dave Yost**  
Auditor of State

March 16, 2012

**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS/ACCUMULATED DEFICIT  
JUNE 30, 2010**

**Assets:**

**Current Assets:**

Checking/Savings	
1000 · Cash	
100001 · General Fund (981009589)	(\$65,920)
100002 · Payroll A/C (981009597)	(91,348)
1000 · Cash - Other	(3,800)
Total 1000 · Cash	<u>(161,068)</u>
Total Checking/Savings	(161,068)
Other Current Assets	
1204 · Grant Receivable	
120401 · Foundation Revenue	20,341
Total 1204 · Grant Receivable	<u>20,341</u>
Total Other Current Assets	<u>20,341</u>
Total Current Assets	<u>(140,727)</u>

**Fixed Assets:**

1530 · Leasehold improvements	80,055
1600 · Equipment	
160002 · Furniture & Equipment	184,333
160003 · Telephone & Communications	29,921
1600 · Equipment - Other	16,163
Total 1600 · Equipment	<u>230,417</u>
1602 · Vehicles	3,504
1700 · Less Accumulated Depreciation	
170001 · Leasehold improvements	(1,863)
170002 · Furniture & Office equipment	(36,913)
170004 · Vehicles	(1,402)
Total 1700 · Less Accumulated Depreciation	<u>(40,178)</u>
Total Fixed Assets	<u>273,798</u>
Total Assets	<u><u>133,071</u></u>

**Liabilities & Equity:**

**Liabilities:**

**Current Liabilities:**

Accounts Payable	
2100 · Accounts payable	427,364
Total Accounts Payable	<u>427,364</u>
Other Current Liabilities	
2110 · Direct Deposit Liabilities	(1,532)
2340 · Garnishments	
234001 · Shane-Child Support	1,466
234004 · G. Sturgis (08-0976)	2
2340 · Garnishments - Other	(1,002)
Total 2340 · Garnishments	<u>466</u>

(Continued)

**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS/ACCUMULATED DEFICIT  
JUNE 30, 2010**

2300 · Payroll Liabilities	
230011 · Prepaid Legal	502
230001 · FWT	17,034
230002 · FICA & Medicare	9,847
230003 · City of Dayton	5,190
230005 · Federal Unemployment	1,539
230006 · School District Tax W/H	85
230007 · Earned Income Credit	422
230009 · AFLAC Disability Insurance	4,904
230010 · City of Troy W/H	123
2300 · Payroll Liabilities - Other	6,275
Total 2300 · Payroll Liabilities	45,921
2350 · Intergovernmental payables	
235001 · STRS	30,843
235002 · SERS	23,834
235003 · Ohio withholdings	31,804
2350 · Intergovernmental payables - Other	1,088
Total 2350 · Intergovernmental payables	87,569
2360 · Notes payable	
236003 · Loan from Shane Floyd	(11,500)
2360 · Notes payable - Other	(11,000)
Total 2360 · Notes payable	(22,500)
Total Other Current Liabilities	109,924
Total Current Liabilities	537,288
Total Liabilities	537,288
Equity	
3900 · Net Assets	40,064
Net Income	(444,281)
Total Equity	(404,217)
Total Liabilities & Equity	\$133,071



**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT  
FOR FISCAL YEAR YEAR ENDED JUNE 30, 2010**

**Ordinary Income/Expense:**

**Income:**

**3000000 - State Funding:**

311000 · SFSF	\$126,766
311002 · Formula Grades 1-12	1,110,377
311003 · Intervention Aid	29,740
311005 · Professional Development Aid	2,796
311006 · All Day Kindergarten	2,334
311007 · Dropout Prevention Aid	13,533
311008 · Classroom Size Reduction	3,758
311009 · Community Outreach Aid	19,127
311011 · Special Education	68,156
311012 · CTA	54,876
311013 · Parity Aid	112,295
3000000 · State Funding - Other	118,984

Total 3000000 · State Funding	1,662,742
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Total Income	1,662,742
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<b>Gross Profit:</b>	1,662,742
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**Expense:**

66900 · Reconciliation Discrepancies	5,196
4500000 · Sponsorship fees	39,257
5000000 · Salaries & Wages	
1200000 · Special Instruction	
1200111 · Classroom Teachers	128,847
Total 1200000 · Special Instruction	128,847
1316000 · Regular Instruction	
1316111 · Classroom Teachers	185,777
1316141 · Classroom Aides	14,612
Total 1316000 · Regular Instruction	200,389
2400000 · Support Services-Admin	295,759
5000000 · Salaries & Wages - Other	290,986
Total 5000000 · Salaries & Wages	915,981

**6000000 - Fringe Benefits:**

1316211 · STRS-Employers' Share	102,812
1316213 · Medicare	10,977
1316221 · SERS-Employers' Share	54,409
1316222 · SERS-Pickup	6,003
1316240 · Health Insurance	39,803
1316253 · Dental Insurance	3,394
1316259 · Unemployment	23,306
1000260 · Workmens' Compensation	6,541
6000000 · Fringe Benefits - Other	54,740

Total 6000000 · Fringe Benefits	301,985
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6560 · Payroll Expenses	6,095
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(Continued)

**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT  
FOR FISCAL YEAR YEAR ENDED JUNE 30, 2010**

**7000000 - Purchased Services:**

1000410 · Professional & Technical	377,340
1000411 · Student Testing & Evaluation	120,279
1000413 · Audit fees	41,444
1000415 · Other Contract Services	345,042
1000416 · Data Processing Services	15,863
1000418 · Legal expenses	14,740
1000440 · Communications	20,633
1000445 · Mail/Messenger Service	1,022
1000446 · Advertising	40,345
1000461 · Printing & Publications	859
1000480 · Transportation & Meetings	19,293
1000841 · Miscellaneous	45,102
1000853 · Liability Insurance	17,435
3100410 · Food Service Contract Services	29,818
5200 · Facility Maintenance	
5200425 · Lease-School Site	143,225
5200450 · Utilities	9,011
5200452 · Repair & maintenance	26,041
5200 · Facility Maintenance - Other	506
Total 5200 · Facility Maintenance	178,783

Total 7000000 · Purchased Services 1,267,998

**8000000 - Materials & Supplies:**

1000511 · Instructional supplies	61
2420512 · Office supplies	18,955
3100560 · Food Supplies & Materials	27,593

Total 8000000 · Materials & Supplies 46,609

8500000 · Capital Outlay 32,735

9000000 · Depreciation & Amortization 10,500

Total Expense 2,626,356

Net Ordinary Income (963,614)

**Other Income/Expense:**

**Other Income:**

9600000 · Non-Operating Revenues:

9691 · ARRA Stimulus	56,229
9651 · Federal Grants	371,928
9652 · School Lunch Grant Funding	28,524
9653 · School Lunch-Student Income	27,912
9654 · Interest Income	43
9680 · Miscellaneous	31,697
9600000 · Non-Operating Revenues - Other	3,000

Total 9600000 · Non-Operating Revenues 519,333

Total Other Income 519,333

Net Other Income 519,333

(\$444,281)



# Dave Yost • Auditor of State

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

Carter G. Woodson Institute  
Montgomery County  
1 Elizabeth Place  
Dayton, Ohio 45408

To the Governing Board:

We were engaged to audit the financial statements, of Carter G. Woodson Institute, Montgomery County, (the Institute) as of and for the year ended June 30, 2010, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated March 16, 2012. We did not opine on the financial statements because we did not obtain documentation to support the amounts reported for grants receivable, total fixed assets, accounts payable, intergovernmental payable, total equity, total income, total expenses and total other income; additionally we were unable to obtain written representations from the management. We also noted that the Institute did not present a statement of cash flows, notes to the financial statements, management's discussion and analysis and federal receipts and expenditures awards schedule. The School ceased operations at June 30, 2010.

### Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Institute'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 Institute's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Institute's internal control over financial reporting.

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

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 2010-001 through 2010-006 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Institute's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2010-001 through 2010-030.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

March 16, 2012



# Dave Yost • Auditor of State

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

Carter G. Woodson Institute  
Montgomery County  
1 Elizabeth Place  
Dayton, Ohio 45408

To the Governing Board:

### Compliance

We were engaged to audit the compliance of Carter G. Woodson Institute, Montgomery County (the Institute) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Carter G. Woodson's major federal programs for the year ended June 30, 2010. Because of a lack of evidence supporting Federal receipts and disbursements, the summary of auditor's results section of the accompanying schedule of findings and questioned costs does not identify the Institute's major federal programs. The Institute's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its each major federal program. Our responsibility is to express an opinion on the Institute's compliance based on our audit.

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

As described in finding 2010-031 in the accompanying schedule of findings and questioned costs, we were unable to determine if the Institute complied with the requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement*, to determine the completeness and existence of financial records and supporting documentation.

Since the Institute did not provide the evidence described in the above paragraph, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on the Institutes compliance with the compliance requirements applicable to the federal programs for which it received funding.

### Internal Control Over Compliance

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-031 to be a material weakness.

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



**Dave Yost**  
Auditor of State

March 16, 2012

**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Disclaimer
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Disclaimer
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Unknown
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**26 USC 3402(a) (1)** states, in part that , in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

There was no indication that the Institute remitted all federal tax withholdings to the U.S. Treasury and due to the condition of payroll records the total amount due to IRS could not be determined.

In addition, inadequate payroll records resulted in an opinion modification on the Institute's financial statements, which includes Intergovernmental Payable. Although we cannot reasonably determine the amount due, we presume the misstatement is material.

The Institute should remit all federal income taxes withheld in a timely manner to the Internal Revenue Service. This would help reduce the possibility of a misstatement and additional expenditures to the Institute for fines imposed for late tax filings. This matter will be referred to the Internal Revenue Service.

**FINDING NUMBER 2010-002**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Rev. Code Section 5747.06 (A)** requires that except as provided in division (E)(3) of the same statute, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

There was no indication that the Institute remitted its state income taxes and due to the condition of the payroll records the total amount that should have been remitted to the State Treasury could not be determined.

In addition, inadequate payroll records resulted in an opinion modification on the Institute's financial statements, which includes Intergovernmental Payable. Although we cannot reasonably determine the amount due, we presume the misstatement is material.



**Finding Number 2010-002  
(Continued)**

The Institute should remit all state income taxes withheld in a timely manner to the Ohio Department of Taxation. This would help reduce the possibility of a misstatement and additional expenditures to the Institute for fines imposed for late tax remittances. This matter has been referred to the Ohio Department of Taxation for further investigation.

**FINDING NUMBER 2010-003**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Revised Code Section 3314.03 (B)(5) and AOS Bulletin 2000-005** require that the management of each community School be responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

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.

The Institute failed to provide the following items, resulting in an inability to audit these areas and provide an opinion on the accompanying financial statements:

1. 1099 forms;
2. Employee master files and complete payroll records;
3. Capital Asset records and policies;
4. Underlying support for Intergovernmental Payable, Accounts Payable and Equity;
5. Responses to internal control questions;
6. Board minutes from July through November 2009 meetings and partial minutes for the May meeting were available, however, the Institute did not provide remaining Board minutes;
7. Invoices for 51 out of 177 payments;
8. Full supporting documentation for six payments in addition to the 51 noted above;
9. Additional five out of 25 payments made to the Treasurer, LED Consulting did not have an invoice.
10. The Institute officials did not respond to various questions and requests for records required to substantiate management's assertions of financial statements thus limiting the scope of the audit.

Additionally, the following misclassifications were noted in intergovernmental revenues:

1. State Foundation receipts were posted at net instead of gross. This resulted in an understatement of revenues and expenses by \$15,163.
2. Title I federal receipts were posted as SFSF receipts in the amount of \$31,228
3. State EMIS subsidy in the amount of \$3,800 was posted as federal grants
4. State funding in the amount of \$5,457 was posted as school lunch – student income.
5. State EMIS subsidy in the amount of \$1,200 was posted as miscellaneous revenue
6. State EMIS E-Rate in the amount of \$3,040 was posted as miscellaneous revenue

**Finding Number 2010-003  
(Continued)**

No adjustments were made to the accompanying financial statements as no other financial statement line items except cash could be substantiated and the Institute's opinion was modified. Also, due to lack of internal controls over cash and expenditures, the Institute paid bank fees for nonsufficient funds on 41 different occasions totaling \$1,374.

Lack of adequate supporting documentation and internal controls increased the risk of material fraud and misstatements going unnoticed. Unresponsiveness of the management and failure to provide records resulted in the inability of the Auditor of State to provide an opinion on the financial statements.

**FINDING NUMBER 2010-004**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Rev. Code Section 3314.10(A)(2)** establishes that employees hired by the governing authority of any community school are subject to either Chapter 3307, or 3309, of the Revised Code.

**Ohio Rev. Code Section 3309.23 (A) (2)** requires that school employees as defined in Ohio Rev. Code Section 3309.01 shall be contributors into the School Employees Retirement System (SERS). **Ohio Rev. Code Section 3309.47** states, in part, that each school employees retirement system contributor shall contribute eight percent of the contributor's compensation to the employee's savings fund, except that the school employees' retirement board may raise the contribution rate to a rate not greater than ten percent of compensation. The contribution for all non teaching employees shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the employees' paid compensation for such payroll period or other period as the Governing Authority may approve.

The Institute was not remitting all of their SERS payments. Due to the condition of Institute's payroll records the amount due to the retirement board could not be determined.

In addition, inadequate payroll records resulted in an opinion modification on the Institute's financial statements, which includes Intergovernmental Payable. Although we cannot reasonably determine the amount due, we presume the misstatement is material.

The Institute should remit all SERS withholdings. This will help reduce the possibility of additional expenditures to the Institute for fines imposed for late pension filings.

#### FINDING NUMBER 2010-005

##### NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Rev. Code Section 3314.10(A)(2)** establishes that employees hired by the governing authority of any community school are subject to either Chapter 3307, or 3309, of the Revised Code.

**Ohio Rev. Code Section 3307.26** states, in part, that each teacher shall contribute eight percent of the teacher's earned compensation, except that the state teachers' retirement board may raise the contribution rate to a rate not greater than ten percent of the teacher's earned compensation. Further, the contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the teachers' paid compensation for such payroll period or other period as the board may approve.

The Institute did not remit all of their State Teachers Retirement System (STRS) payments to the retirement board. Due to the condition of Institute's payroll records the amount due to the retirement board could not be determined.

In addition, inadequate payroll records resulted in an opinion modification on the Institute's financial statements, which includes Intergovernmental Payable. Although we cannot reasonably determine the amount due, we presume the misstatement is material.

The Institute should remit all STRS withholdings, both the employee and employer share. This will help reduce the possibility of additional expenditures to the Institute for fines imposed for late pension filings.

#### FINDING NUMBER 2010-006

##### NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Rev. Code Section 117.38** in part states that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State (AOS) may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Administrative Code Section 117-2-03 (B)** requires the Institute to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Institute did not present cash flow statements and notes to the basic financial statements which are an integral part of the financial statements and Management's Discussion and Analysis (MD&A) to supplement the basic financial statements. Although MD&A is not part of the basic financial statements, the Governmental Accounting Standards Board (GASB) considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The financial statement impact of these omissions, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the Institute may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to present financial statements in accordance with GASB and AOS requirements resulted in an opinion modification on the Independent Accountants' Report.

**FINDING NUMBER 2010-006  
(Continued)**

**Ohio Rev. Code Section 117.38** additionally, in part states that the report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the Auditor of State, the chief fiscal officer, except as otherwise provided in section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Institute did not file its annual financial reports with the Auditor of State's office for fiscal year 2010 or publish a notice in newspaper of general circulation.

**FINDING NUMBER 2010-007**

**NONCOMPLIANCE**

**Ohio Revised Code 4123.25** states that no employer shall knowingly misrepresent to the Bureau of Worker's Compensation the amount of classification of payroll upon which the premium under this chapter is based. Whoever violates this division shall be liable to the state in an amount determined by the administrator of worker's compensation for not more than ten times the amount of the difference between the premium paid and the amount the employer should have paid. The liability to the state under this division may be enforced in a civil action in the name of the state, and all sums collected under this division shall be paid into the state insurance fund.

Documentation of coverage under the Bureau of Worker's Compensation was not presented for audit.

The Institute should process the Bureau of Worker's Compensation reports in an accurate and timely manner based on the payroll expenditures and proper job classifications.

**FINDING NUMBER 2010-008**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 3314.015(E)** states that the department (of education) shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

**FINDING NUMBER 2010-008  
(Continued)**

The Ohio Department of Education has developed Community School Closing Procedures Assurances, the purpose of this document is to assure ODE that a sponsor has followed legally required community school closing procedures in a timely manner. Sponsors must provide and execute a plan for the closure of community schools they sponsor prior to the school closing its doors. Sponsors are required to complete and sign this assurance to ODE that proper notifications occur, records are properly distributed and assets are properly disposed with dates recorded in the cells including a final FTE review and scheduling of the final state audit within 30 days of closure of the school.

The Institute did not perform the close-out procedures required until notified by the Auditor of State in February, 2011. After inspection of the "Community School Closing Procedures Assurances" completed by the Institute, there was no evidence that following procedures were performed by the Institute or the Sponsor:

**Initial Notifications, Student Records, and School Records:**

1. Notify ODE that the school is closing and send the board resolution or sponsor notice within 24 hours of the action.
2. Notify resident districts and other stakeholders of the decision to close the school:
  - a. Notify all resident districts, districts providing transportation and parents within a written timeline of the closing process;
    - i. Send notifications 30 days prior to planned closures
    - ii. Send notifications immediately for emergency closures
    - iii. Notify County courts for court-placed students
  - b. Provide the reasons for closing and sponsor contact information;
  - c. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported (note: all fiscal year EMIS data must be submitted even if the School closes prior to the required submission date);
  - d. Notify the Office of Community Schools to eliminate all SAFE, CCIP, and other ODE account logins for personnel associated with the closed school with the exception of designated closing process reporting personnel;
3. Notify the public:
  - a. Prepare written press releases for the local media specific to the school that can be disseminated to media and provide name and phone of the school spokesperson
4. Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using CCIP

**Disposition of Assets:**

5. Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities.
  - a. Review the financial records of the school;
    - i. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets;
    - ii. Establish check off list of purchasers with proper USAS codes (599), state codes (001,499), the price of each item and identify the source of funds;

**FINDING NUMBER 2010-008  
(Continued)**

**Disposition of Assets: (Continued)**

- iii. Establish legal authority for payment processes (e.g. checks, cash, credit cards, etc.); and,
  - iv. Establish disposition plan for any remaining items.
  - v. Identify any State Facilities Commission guarantees
6. Make disposition of the school's fixed assets:
- a. Offer real property acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
  - b. For Federal Title and other consolidated and competitive funds, follow EDGAR liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater;
  - c. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets;
    - i. Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
    - ii. Follow EDGAR liquidation procedures in 34 CFR 80.32 for items valued at \$5,000 or greater;
    - iii. Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio";
    - iv. Provide board resolutions and minutes of any transfer of assets with a dollar value of "0" to another school;
    - v. Provide Office of Community Schools with a written report of the property (bill of sale);
    - vi. Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
    - vii. Remaining assets purchased from funds prior to the current USDOE award grant period may be offered to any public school district with documented board resolutions by the community school and the accepting district.

The Institute's management and/or Sponsor should contact the Ohio Department of Education to rectify any outstanding items associated with the closing of the Institute.

**FINDING NUMBER 2010-009**

**NONCOMPLIANCE**

**Ohio Rev. Code §3314.08** provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure.

**FINDING NUMBER 2010-009**  
**(Continued)**

**Ohio Rev. Code §3313.64(J)** states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

**Ohio Rev. Code §3314.08** requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend. Based on these reported numbers, the state Department of Education shall calculate and subtract the appropriate amount of state aid from each school district. The amount subtracted shall be paid to the corresponding community school or to the internet or computer-based community school entitled to receive those funds. When calculating and subtracting the appropriate amount of state aid, the department should take into consideration any enrollment of students in community schools for less than the equivalent of a full school year; community schools for less than the equivalent of a full school year.

**Ohio Rev. Code §3314.03** requires that the contract entered into between a sponsor and the governing authority of a community school state the following:

- that the governing authority will adopt an attendance policy that includes a procedure for automatically withdrawing a student from the school if the student, without a legitimate excuse, fails to participate in one hundred five consecutive hours of the learning opportunities offered to the student;
- that the school will provide learning opportunities to a minimum of twenty-five students for a minimum of nine hundred twenty (920) hours per school year; the school is required to meet the minimum 25 student count prior to September 30th and may fall below that count throughout the year.
- that the governing authority will adopt a policy regarding the admission of students who reside outside the district in which the school is located; and
- a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount of each such year.

The Institute did not provide the auditors with any of the required information to test the above mentioned sections of ORC, therefore the auditors were unable to determine if the Institute is in compliance with the applicable laws.

**FINDING NUMBER 2010-010**

**NONCOMPLIANCE**

**Ohio Revised Code Section 5705.391** is made applicable to community schools through **Ohio Rev. Code Section 3314.03(A)(11)(d)**. Both **Ohio Rev. Code Section 5705.391** and **Ohio Admin. Code Section 3301-92-04** require school districts and community schools to prepare 5 year projections.

**Ohio Admin. Code § 3301-92-04** provides guidance on how to prepare these projections. The plan must be approved by resolution and submitted to the Department of Education upon the adoption of an annual appropriation measure, but no later than October 31 of any fiscal year.

**Ohio Admin. Code Section 3301-92-04(F)** states, in part that a board of education must update its five year projection between April 1 and May 31 of each fiscal year and submit it to the department of education. In addition, **Ohio Admin. Code Section 3301-92-04(E)** states that a board of education notified under division (A) of section 5705.391 of the Ohio Rev. Code shall submit a school district approved written plan in a timely manner as required to the department of education to eliminate any current deficits and avoid the projected future deficits.

There was no indication that updated projections were submitted to ODE between April 1 and May 31. The projections should have been updated at this time as the Institute was incurring a deficit and decided to close at June 30, 2010.

**FINDING NUMBER 2010-011**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 3314.03(A)(11)(b)** states that the governing authority of each community school will purchase liability insurance, or otherwise provide for the potential liability of the school.

Additionally, **Section II Part FF of the Sponsor Contract for Continuing Ohio Community School** in part states that comprehensive general liability insurance at all times will be maintained by the School Governing Authority in the amounts not less than one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate.

The Institute was not insured from December 15, 2009 through June 30, 2010. The Institute would have been liable for any and all losses occurring during this time period that the Institute's insurance policy normally covered.



**FINDING NUMBER 2010-012**

**NONCOMPLIANCE AND FINDING FOR RECOVERY - REPAID WHILE UNDER AUDIT**

**Ohio Revised Code Section 3314.03(C)** states that a contract entered under section 3314.02 of the Revised Code between a sponsor and the governing authority of a community school may provide for the community school governing authority to make payments to the sponsor, which is hereby authorized to receive such payments as set forth in the contract between the governing authority and the sponsor. The total amount of such payments for oversight and monitoring of the school shall not exceed three per cent of the total amount of payments for operating expenses that the school receives from the state.

In addition, **Section III of the Sponsorship Agreement** in part states that for and in consideration of the two point twenty five (2.25%) of all funds received by the School from the State of Ohio, including state start-up grants, but excluding federal funds, the Sponsor shall provide the oversight required by law. Payments to the Sponsor shall be made by monthly automatic transfer to the general fund of the Sponsor.

The Institute paid \$39,257 to the sponsor and was only required to pay \$35,557, which resulted in an overpayment of \$3,700. There was no documentation supporting additional services provided.

Total State Receipts	\$1,543,639
Sponsorship Fee	2.25%
Total Recalculated Sponsorship Fees	34,732
Other Services Provided	825
Amount Due to Sponsor	35,557
Total Actual Payments to Sponsor	<u>39,257</u>
Total Overpayment to Sponsor	<u><u>\$3,700</u></u>

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Educational Resource Consultants of Ohio, Institute Sponsor, in the amount of \$3,700 and in favor of Carter G. Woodson Institute.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of 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. Public officials will be liable if and 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.

Treasurer Ed Dudley supervised the accounts from which the improper payments were made. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$3,700 and in favor of the Carter G Woodson Institute.

On April 26, 2012, Christ Tabernacle Ministries, parent company of Educational Resource Consultants of Ohio repaid the finding to Ohio Attorney General via check number 23346.

**FINDING NUMBER 2010-013**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On July 15, 2009 the Institute issued check #6194 to Montoan Butler in the amount of \$400. The check was signed by Treasurer Carl W. Shye Jr. There was no indication that the Board approved this expenditure. Additionally, there was no documentation to support that the payment was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Montoan Butler in the amount of \$400 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Carl W. Shye Jr., Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl W. Shye Jr. in the amount of \$400 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-014**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On July 16, 2009 the Institute issued check #6199 to Melissa Robinson in the amount of \$3,200. The check was signed by Treasurer Carl W. Shye Jr. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Melissa Robinson in the amount of \$3,200 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Carl W. Shye Jr., Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl W. Shye Jr. in the amount of \$3,200 and in favor of Carter G. Woodson Institute.

## FINDING NUMBER 2010-015

### NONCOMPLIANCE AND FINDING FOR RECOVERY

**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.

**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.

On July 21, 2009 the Institute issued check #6213 to Wendy Wiggins in the amount of \$4,000. The check was signed by Treasurer, Carl W. Shye Jr. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Wendy Wiggins in the amount of \$4,000 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Carl W. Shye Jr., Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Carl W. Shye Jr. in the amount of \$4,000 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-016**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On August 14, 2009 the Institute issued checks #6222 and #6223 to Carl Robinson in the amounts of \$870 and \$1,400, respectively. The checks were signed by Treasurer Edward Dudley. There was no documentation indicating the Board approved these expenditures or that they were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Carl Robinson in the amount of \$2,270 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$2,270 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-017**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On October 30, 2009 the Institute issued check #6331 to Eric Wright in the amount of \$139. The check was signed by Treasurer Edward Dudley. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Eric Wright in the amount of \$139 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$139 and in favor of Carter G. Woodson Institute.

## FINDING NUMBER 2010-018

### NONCOMPLIANCE AND FINDING FOR RECOVERY

**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.

**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.

On December 15, 2009 the Institute issued check #6414 to Carl W. Shye Jr. in the amount of \$12,000. There were two invoices dated August 3, 2009 and September 1, 2009 for \$3,000 each for monthly internal auditor fee for review of accounting systems, financial statements and bank reconciliations, however, there was no indication that the Institute had these functions or the Board approved internal audit services. There was no documentation provided for the remaining \$6,000 of this expenditure. The check was signed by Treasurer Edward Dudley. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Carl W. Shye Jr. in the amount of \$12,000 in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$12,000 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-019**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On December 15, 2009 the Institute issued check #6415 to James Jackson in the amount of \$430. The check was signed by Treasurer Edward Dudley. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James Jackson in the amount of \$430 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$430 and in favor of Carter G. Woodson Institute.



#### FINDING NUMBER 2010-020

##### NONCOMPLIANCE AND FINDING FOR RECOVERY

Under **Ohio Revised Code §3314.025**, the governing authority of a start-up community school may adopt a resolution to compensate its members for attending meetings of the governing authority. A member may be compensated up to \$125 per meeting. However, an individual may not receive more than \$125 total per month from each governing authority on which the person serves.

Upon the approval of Board Member Christopher Martin, the Institute compensated its Board members for two meetings held during December 2009 and June 2010. Board Member Chris Welsh was paid \$250 on January 19, 2010 via check number 6469 for one regular and one emergency meeting held in December 2009. On July 7, 2010 Mr. Welsh was paid \$375 via check number 6664 for board meetings held on May 25th, June 17th and June 30th. Pursuant to Ohio Rev. Code 3314.025 his compensation was limited to \$125 for each month. The additional compensation resulted in an overpayment to Mr. Welsh in the amount of \$250. Both checks issued to Mr. Welsh were signed by Treasurer, Edward Dudley.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chris Welsh in the amount of \$250 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$250 and in favor of Carter G. Woodson Institute.

#### FINDING NUMBER 2010-021

##### NONCOMPLIANCE AND FINDING FOR RECOVERY

Under **Ohio Revised Code §3314.025**, the governing authority of a start-up community school may adopt a resolution to compensate its members for attending meetings of the governing authority. A member may be compensated up to \$125 per meeting. However, an individual may not receive more than \$125 total per month from each governing authority on which the person serves.

Upon the approval of Board Member Christopher Martin, the Institute compensated its Board members for two meeting held during December 2009 and June 2010. Board Member Erick Allen was paid \$250 on January 19, 2010 via check number 6471 for one regular and one emergency meeting held in December 2009. On July 7, 2010 Mr. Allen was paid \$375 via check number 6667 for board meetings held on May 25th, June 17th and June 30th. Pursuant to Ohio Rev. Code 3314.025 his compensation was limited to \$125 for each month. The additional compensation resulted in an overpayment to Mr. Allen in the amount of \$250. Both checks issued to Mr. Allen were signed by Treasurer, Edward Dudley.

**FINDING NUMBER 2010-021  
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Erick Allen in the amount of \$250 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$250 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-022**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

Under **Ohio Revised Code §3314.025**, the governing authority of a start-up community school may adopt a resolution to compensate its members for attending meetings of the governing authority. A member may be compensated up to \$125 per meeting. However, an individual may not receive more than \$125 total per month from each governing authority on which the person serves.

Upon the approval of Board Member Christopher Martin, the Institute compensated its Board members for two meeting held during December 2009 and June 2010. Board Member Lee Wagner was paid \$250 on December 17, 2009 via check number 6421 for one regular and one emergency meeting held during December 2009. On July 7, 2010 Mr. Wagner was paid \$375 via check number 6669 for board meetings held on May 25th, June 17th and June 30th. Pursuant to Ohio Rev. Code 3314.025 his compensation was limited to \$125 for each month. The additional compensation resulted in an overpayment to Mr. Wagner in the amount of \$250. Both checks issued to Mr. Wagner were signed by Treasurer, Edward Dudley.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lee Wagner in the amount of \$250 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

**FINDING NUMBER 2010-022  
(Continued)**

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$250 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-023**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

Under **Ohio Revised Code §3314.025**, the governing authority of a start-up community school may adopt a resolution to compensate its members for attending meetings of the governing authority. A member may be compensated up to \$125 per meeting. However, an individual may not receive more than \$125 total per month from each governing authority on which the person serves.

Upon the approval of Board Member Christopher Martin, the Institute compensated its Board members for two meetings held during December 2009 and June 2010. Mr. Martin, Board Member was paid \$250 on December 17, 2009 via check number 6418 for one regular and one emergency meeting held during December 2009. On July 7, 2010 Mr. Martin was paid \$375 via check number 6665 for board meetings held on May 25th, June 17th and June 30th public meetings. Pursuant to Ohio Rev. Code 3314.025 his compensation was limited to \$125 for each month. The additional compensation resulted in an overpayment to Mr. Martin in the amount of \$250. Both checks issued to Mr. Martin were signed by Treasurer, Edward Dudley.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Christopher Martin in the amount of \$250 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$250 and in favor of Carter G. Woodson Institute.

#### FINDING NUMBER 2010-024

##### NONCOMPLIANCE AND FINDING FOR RECOVERY

**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.

**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.

On July 2, 2009 Treasurer, Carl W. Shye, Jr. withdrew \$4,666 from the Institute's General Operating Checking Account. There was no documentation provided to support this withdrawal. Further, there was no documentation indicating that the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the withdrawal would be considered a proper public purpose. The failure to maintain adequate support for this withdrawal could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Carl W. Shye, Jr. in the amount of \$4,666 in favor of Carter G. Woodson Institute.

#### FINDING NUMBER 2010-025

##### NONCOMPLIANCE AND FINDING FOR RECOVERY

**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.

**FINDING NUMBER 2010-025  
 (Continued)**

**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.

The following withdrawals from the General Operating Checking Account and Payroll Checking Account were authorized by the Institute’s CEO, Shane Floyd. There was no documentation provided to support the related expenditures. Further, there was no documentation indicating that the Board approved these expenditures or that they were otherwise for a proper public purpose.

<u>Withdrawal Date</u>	<u>Amount</u>
August 6, 2009	\$ 9,500
October 5, 2009	1,500
October 5, 2009	9,500
October 27, 2009	383
November 2, 2009	5,000
November 30, 2009	5,000
December 7, 2009	500
	<u>\$31,383</u>

Without proper supporting documentation, it is not possible to determine if the withdrawal would be considered a proper public purpose. The failure to maintain adequate support for these withdrawals could result in a loss of accountability over the Institute’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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the Institute’s CEO, Shane Floyd in the amount of \$31,383 in favor of Carter G. Woodson Institute.

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of 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. Public officials will be liable if and 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.

Treasurer Ed Dudley supervised the accounts from which improper payments were made. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$31,383 and in favor of the Carter G Woodson Institute.

**FINDING NUMBER 2010-026**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**Ohio Revised Code Section 3314.03 (B)(5) and AOS Bulletin 2000-005** require that the management of each community School be responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

**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.

On June 15, 2010, the Treasurer Ed Dudley, withdrew \$63,180 from the School’s bank account and obtained 18 cashier checks valued at \$3,500 each. Cashier checks were used as “bonus” checks for 18 employees. On June 16, 2010, Barbara Mattei-Smith from Ohio Department of Education, Center for School Options and Finance initiated an e-mail that was forwarded to the Sponsor and the Treasurer by William Nelson, Center for School Options and Finance, Ohio Department of Education; which indicated that unless the governing board held a meeting and voted to modify the contracts all the teachers will likely have to pay back the bonuses they received. There was no indication of Board approval of modification of contracts.

The School provided original contracts for the 18 employees as support for the payments made. These original contracts were compared to gross salaries per payroll journal for payroll checks that actually cleared the bank. Resolution 121709-2 passed by a unanimous vote during December 17, 2009 emergency board meeting approved a 20% pay cut for faculty and staff.

The following employees had agreements effective August 17, 2009 through June 14, 2010 with contract payable in 20 equal installments. Nine paychecks from August 31, 2009 through December 31, 2009 were to be paid at the original contract amount. The remaining 11 paychecks were at 80% of the contract amount due to the 20% pay cut. Supplemental contracts were from September 15, 2009 through June 14, 2010 and were to be paid in 18 equal installments. Seven paychecks from September 30, 2009 through December 31, 2009 were paid at supplemental contract amount and remaining 11 paychecks had 20% pay cut in effect.

<u>Name</u>	<u>Type</u>	<u>Contract Amount</u>	<u>100% salary up to 12/31/09</u>	<u>80% salary</u>	<u>Total Salary</u>	<u>Actual Salary</u>	<u>Overpayment</u>
Birdsong, Antoinette	Reg	\$34,000	\$15,300	\$14,960	\$30,260		
Birdsong, Antoinette	Sup	6,000	2,333	2,933	5,266		
Birdsong, Antoinette	Total				35,526	\$40,561	\$5,035
Byrd, Darren	Reg	25,000	11,250	11,000	22,250	25,601	3,351
Crider, Edith	Reg	45,000	20,250	19,800	40,050	43,252	3,202
Hague, Titus	Reg	34,000	15,300	14,960	30,260		
Hague, Titus	Sup	1,000	389	489	878		
Hague, Titus	Total				31,138	37,491	6,353

**FINDING NUMBER 2010-026  
 (Continued)**

<u>Name</u>	<u>Type</u>	<u>Contract Amount</u>	<u>100% salary up to 12/31/09</u>	<u>80% salary</u>	<u>Total Salary</u>	<u>Actual Salary</u>	<u>Overpayment</u>
Harris, Jock	Reg	33,181	14,931	14,600	29,531		
Harris, Jock	Sup	7,867	3,060	3,846	6,906		
Harris, Jock	Total				36,437	44,244	7,807
Monroe, Randolph	Reg	19,500	8,775	8,580	17,355	21,891	4,536
Owens, Robert	Reg	36,000	16,200	15,840	32,040		
Owens, Robert	Sup	5,049	1,964	2,468	4,432		
Owens, Robert	Total				36,472	40,874	4,402
Ramsey, Aaron	Reg	34,000	15,300	14,960	30,260		
Ramsey, Aaron	Sup	6,800	2,644	3,325	5,969		
Ramsey, Aaron	Total				36,229	41,022	4,793
Screven, Kenneth	Reg	40,000	18,000	17,600	35,600	43,976	8,376
Williams, Derrick	Reg	40,000	18,000	17,600	35,600	44,621	9,021

Reg = Regular Contract  
 Sup = Supplemental Contract

The following employees had agreements effective July 1, 2009 through June 30, 2010 with contract payable in 24 equal installments. Eleven (11) paychecks from July 15, 2009 through December 31, 2009 were to be paid at the original contract amount. The remaining 13 paychecks were at 80% of the contract amount due to the 20% pay cut.

<u>Name</u>	<u>Type</u>	<u>Contract Amount</u>	<u>100% salary up to 12/31/09</u>	<u>80% salary</u>	<u>Total Salary</u>	<u>Actual Salary</u>	<u>Overpayment</u>
Cannon, Robert Jr.	Reg	\$45,000	\$20,625	\$19,500	\$40,125	\$49,291	\$9,166
Garrison, Frankie	Reg	30,000	13,750	13,000	26,750	28,134	1,384
Sturgis, Gilbert	Reg	44,000	20,167	19,067	39,234	40,168	934

Angela Lowe had an agreement effective August 17, 2009 through June 30, 2010 with contract payable in 21 equal installments. 9 paychecks from August 31, 2009 through December 31, 2009 were to be paid at the original contract amount. The remaining 12 paychecks were at 80% of the contract amount due to the 20% pay cut.

<u>Name</u>	<u>Type</u>	<u>Contract Amount</u>	<u>100% salary up to 12/31/09</u>	<u>80% salary</u>	<u>Total Salary</u>	<u>Actual Salary</u>	<u>Overpayment</u>
Lowe, Angela	Reg	\$36,196	\$15,513	\$16,547	\$32,060	\$36,443	\$4,383

**FINDING NUMBER 2010-026  
 (Continued)**

Roberta Robinson had an agreement effective August 4, 2009 through June 14, 2010. The contract was silent regarding the number of pay periods the contract would be paid over. Based on actual payroll checks the contract would have been paid over 23 pay periods with 9 paychecks from August 31, 2009 through December 31, 2009 to be paid at the original contract amount. The remaining 14 paychecks were at 80% of the contract amount due to the 20% pay-cut.

<u>Name</u>	<u>Type</u>	<u>Contract Amount</u>	<u>100% salary up to 12/31/09</u>	<u>80% salary</u>	<u>Total Salary</u>	<u>Actual Salary</u>	<u>Overpayment</u>
Robinson, Roberta	Reg	\$46,298	\$18,117	\$22,545	\$40,662	\$46,243	\$5,581

Leticia Ellis had an agreement effective January 4, 2010 through June 14, 2010 in amount of \$16,464 with contract payable in 11 equal installments. Actual gross payments made to Leticia Ellis amounted to \$18,032 thus resulting in an overpayment of \$1,568. The remaining two employees were underpaid on their contracts.

There was no documentation to indicate that the Board approved the additional funds paid to the above mentioned employees. Further, there was no documentation to indication that the additional funds were otherwise for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery of public monies illegally expended is hereby issued against the following employees in the amount listed below and in favor of Carter G. Woodson Institute, in the amount of \$79,892.

<u>Employee Name</u>	<u>Finding Amount</u>
Birdsong, Antoinette	\$ 5,035
Byrd, Darren	3,351
Crider, Edith	3,202
Hague, Titus	6,353
Harris, Jock	7,807
Monroe, Randolph	4,536
Owens, Robert	4,402
Ramsey, Aaron	4,793
Screven, Kenneth	8,376
Williams, Derrick	9,021
Cannon, Robert Jr.	9,166
Garrison, Frankie	1,384
Sturgis, Gilbert	934
Lowe, Angela	4,383
Robinson, Roberta	5,581
Ellis, Leticia	1,568
<b>Total Findings</b>	<b>\$79,892</b>

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of 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. Public officials will be liable if and 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.



**FINDING NUMBER 2010-026  
(Continued)**

Treasurer Edward Dudley supervised public funds from which the above improper payments were made. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley, in the amount of \$79,892 and in favor of the Carter G. Woodson Institute.

**FINDING NUMBER 2010-027**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

Board Member Christopher Martin made the following withdrawals from the General Operating Checking Account and Payroll Checking Account. There was no documentation provided to support these expenditures. Further, there was no documentation indicating that the Board approved the expenditures or that they were otherwise for a proper public purpose.

<u>Withdrawal Date</u>	<u>Amount</u>
January 27, 2010	\$ 900
January 27, 2010	109
	<u>\$1,009</u>

Without proper supporting documentation, it is not possible to determine if the withdrawals would be considered a proper public purpose. The failure to maintain adequate support for this withdrawal could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Board Member, Christopher Martin in the amount of \$1,009 in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-027  
(Continued)**

In addition, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of 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. Public officials will be liable if and 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.

Treasurer Ed Dudley supervised the accounts from which improper payments were made. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Edward Dudley in the amount of \$1,009 and in favor of the Carter G Woodson Institute.

**FINDING NUMBER 2010-028**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

The Institute switched Treasurers from Carl W. Shye Jr. to Edward Dudley, employee of LED Consulting, Inc., in August 2009. There was no indication that the new Treasurer contract was formally approved by the Board. Additionally, the Institute was unable to provide a Board approved budget that listed the Treasurer's salary. The only document available was an unsigned copy of the Treasurer's contract dated August 1, 2009 which stated that the Institute shall pay the Treasurer \$48,000 annually or \$4,000 per month. The unsigned contract also provided for additional fees for CCIP, FER, MDA and other related accounting services. The Institute closed effective June 30, 2010; therefore, the total payments due to the Treasurer for 11 months of service was \$44,000.

Since the contract was never approved by the Board, the Treasurer's compensation was compared to other similar community schools in the Dayton area. A contract for \$44,000 is comparable; however, other schools did not have provisions for additional fees outlined above. Due to lack of Board approved documents, \$44,000 in compensation was considered allowable and any payments in excess of this amount were deemed illegal.

**FINDING NUMBER 2010-028  
 (Continued)**

The following payments were made to LED Consulting for Treasurer/Accounting Services:

<u>Check #</u>	<u>Check Date</u>	<u>Amount</u>	<u>Invoice Description</u>
6227	8/10/2009	\$ 3,000.00	August 2009 Treasury Fees
6289	10/15/2009	4,000.00	October 2009 Treasurer Fees
6346	11/12/2009	4,000.00	November 2009 Treasury Services
6406	12/14/2009	4,000.00	December 2009 Treasury Services
6546	3/11/2010	8,000.00	Accounting Services
6547	3/12/2010	1,000.00	Accounting Services
6580	4/6/2010	7,000.00	Accounting Services
6618	5/14/2010	4,000.00	Accounting Services
6643	6/4/2010	9,400.00	Accounting Services - Closing procedures
6644	6/11/2010	4,000.00	Accounting Services
6645	6/11/2010	5,000.00	Accounting Services - Pre audit planning
6677	7/28/2010	4,000.00	Accounting Services - Closeout procedures
Total Paid		57,400.00	
Treasurer's Contract Amount		(44,000.00)	
Total Overpayment		<u>\$13,400.00</u>	

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against LED Consulting, in the amount of \$13,400 and in favor of Carter G. Woodson Institute.

**FINDING NUMBER 2010-029**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

**FINDING NUMBER 2010-029  
 (Continued)**

**Ohio Rev. Code Section 3314.03(A)(11)(e)** requires a community school to comply with Ohio Rev. Code Section 2921.42. Ohio Revised Code 2921.42(A)(1), (3)-(4) provides: No public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official has an interest; profit from a public contract he approved or that was authorized by a body of which he was a member unless the contract was competitively bid and awarded to the lowest and best bidder; have an interest in profits or benefits of a public contract entered into by a public agency he is connected with.

Ed Dudley served as Treasurer for the Institute from August 1, 2009 to June 30, 2010. Mr. Dudley also served as President of LED Consulting during this time. In 2010, LED Consulting loaned the following amounts to the Institute. There was no documentation of Board approval for the loan or an official loan agreement for any of these loans. The following is the schedule of loan receipts and payments:

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Payment Date</u>	<u>Check Number</u>	<u>Payment Amount</u>
December 28, 2009	\$ 3,000	January 11, 2010	6432	\$ 3,000
January 26, 2010	5,000	February 11, 2010	6509	5,000
January 29, 2010	5,000	February 11, 2010	6509	5,000
		February 12, 2010	6516	1,000
April 7, 2010	3,000	April 6, 2010	6580	3,000
Total	<u>\$16,000</u>			<u>\$17,000</u>

There was no corresponding loan receipted by the Institute for the February 12, 2010 payment in amount of \$1,000. Additionally, the following payment made to LED Consulting lacked adequate support:

<u>Check #</u>	<u>Check Date</u>	<u>Amount</u>	<u>Check Description</u>
6678	9/1/2010	\$10,000.00	Cash Asset to Resolve Trust

There was no documentation indicating the Board approved these expenditures or that were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

All the above noted checks were signed by Edward Dudley in his capacity as Treasurer for the Institute. Additionally, all of the repayment amounts were receipted by Ed Dudley in his capacity as President of LED Consulting.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against LED Consulting, Inc jointly and severally in the amount of \$11,000 and in favor of Carter G. Woodson Institute.

A referral will be made to the Ohio Ethics Commission.

**FINDING NUMBER 2010-030**

**NONCOMPLIANCE AND FINDING FOR RECOVERY**

**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.

**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.

On October 7, 2009 the Institute issued check #6276 to MUG Entertainment in the amount of \$283. The check was signed by Treasurer Edward Dudley. There was no documentation indicating the Board approved this expenditure or that it was otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the expenditure was for goods or services that would be considered a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Institute'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.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against MUG Entertainment in the amount of \$283 and in favor of Carter G. Woodson Institute.

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Institute's CEO, Shane Floyd approved the payment and Edward Dudley, Treasurer, signed the check resulting in the improper payment. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Shane Floyd in the amount of \$283, Edward Dudley in the amount of \$283 and in favor of Carter G. Woodson Institute.

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

<b>Finding Number</b>	2010-031
<b>CFDA Title and Number</b>	CFDA # 10.553 - School Breakfast Program CFDA # 10.555 - National School Lunch Program CFDA # 84.010 - Title I Grants to Local Educational Agencies CFDA # 84.389 - ARRA - Title I Grants to Local Educational Agencies CFDA # 84.027 - Special Education Grants to States CFDA # 84.389 - ARRA - Special Education Grants to States CFDA # 84.394 ARRA – State Fiscal Stabilization (SFSF) – Education State Grants
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Agriculture United State Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Office of Management and Budget (OMB) Circular A-133 Subpart C, §\_\_.310(b) Schedule of Expenditures of Federal Awards**, states that the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Additionally, **Office of Management and Budget (OMB) Circular A-133 Subpart B, §\_\_.200(a)** requires non-Federal entities that expend \$500,000 or more in a year in Federal awards to have a single or program-specific audit conducted for that year in accordance with the provisions of this part. Guidance on determining Federal awards expended is provided in §\_\_.205.

**FINDING NUMBER 2010-031  
 (Continued)**

Due to the following deficiencies, we could not determine total federal expenditures during fiscal year 2010 or perform single audit procedures in accordance with requirements of OMB Circular A-133:

- The Institute did not provide a complete Schedule of Federal Awards Receipts and Expenditures.
- The Institute's financial audit software did not segregate the federal funds, therefore federal expenditures could not be determined.
- The Institute did not provide underlying supporting documentation for expenditures reported to the Ohio Department of Education on its Project Cash Request (PCR) form.
- The Final Expenditure Reports (FER), required by the Ohio Department of Education, were not completed.
- The Institute was unable to provide supporting documentation for grant expenditures. None of the federal funds were returned to the Ohio Department of Education and the Institute's ending cash balance at June 30, 2010, was negative \$161,068 therefore, we are questioning amounts based on the following federal awards received during the year ended June 30, 2010:

<b>Program</b>	<b>CFDA #</b>	<b>Receipts</b>
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 11,790
National School Lunch Program	10.555	37,736
Total Child Nutrition Cluster		49,526
Title I, Part A Cluster:		
Title I Grants to Local Educational Agencies	84.010	253,200
ARRA - Title I Grants to Local Educational Agencies	84.389	123,579
Total Title I, Part A Cluster		376,779
Special Education Cluster:		
Special Education Grants to States	84.027	36,267
ARRA - Special Education Grants to States	84.389	32,500
Total Special Education Cluster		68,767
Safe and Drug Free Schools and Communities State Grants	84.186	2,877
Education Technology State Grants	84.318	280
Improving Teacher Quality State Grants	84.367	6,363
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	105,418
Total Federal Receipts		<u>\$610,010</u>

Of the receipts listed above, the Child Nutrition Cluster, Title I, Part A Cluster, Special Education Cluster, ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants are considered questioned costs pursuant to OMB Circular A133 §\_\_\_\_.510 (a)(3).

**Official's Response:**

We received no response from officials.

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**CARTER G. WOODSON INSTITUTE  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE PERIOD ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	The school failed to file financial reports with the auditor of state	No	Repeated as finding number 2010-006
2009-002	The school did not file five year projections in accordance with ORC 3314.03(A)(11)(d)	No	Repeated as finding number 2010-010
2009-003	Failure to provide minutes	No	Repeated as finding number 2010-003
2009-004	The school failed to present a student listing and any support for such a listing	No	Repeated as finding number 2010-009
2009-005	The school provided no documentation that State income taxes were remitted	No	Repeated as finding number 2010-002
2009-006	The School provided no documentation that Federal income taxes were remitted	No	Repeated as finding number 2010-001
2009-007	The school failed to maintain Bureau of Worker's Compensation reports	No	Repeated as finding number 2010-007
2009-008	The School failed to obtain and maintain employee contracts	No	Repeated as finding number 2010-003
2009-009	The school failed to maintain supporting documentation for multiple items resulting in an inability to audit	No	Repeated as finding number 2010-003
2009-010	The school had excessive overdraft charges	No	Repeated as finding number 2010-003
2009-011	Lack of controls over cash reconciliations and multiple copies of same month's reconciliation existed	Yes	
2009-012	Segregation of duties	Yes	
2009-013	The School failed to maintain a capital assets listing	No	Repeated as finding number 2010-003
2009-014	Failure to post receipts and disbursements	No	Repeated as finding number 2010-003
2009-015	The Schools year end bank reconciliation did not agree to general ledger or balance sheet	Yes	

Carter G. Woodson Institute  
 Montgomery County  
 Schedule of Prior Audit Findings and Questioned Cost  
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-016	The School was considered a going concern	No longer valid	The School ceased operations at June 30, 2010
2009-017	Questioned cost based on federal receipts for Title I and Charter School Grants federal program	No	Repeated as finding number 2010-031
2009-018	Failure to audit Allowable Cost, Earmarking and Reporting requirements due to lack of records from the School	No	Repeated as finding number 2010-031
2009-019	Lack of internal controls over federal programs and missing supporting documentation	No	Repeated as finding number 2010-031



# Dave Yost • Auditor of State

**CARTER G. WOODSON INSTITUTE**

**MONTGOMERY 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 19, 2012**