



Dave Yost • Auditor of State

**LIBERTY EARLY ACADEMIC RESOURCE ACADEMY
TRUMBULL COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Liberty Early Academic Resource Nest Academy
Trumbull County
326 E. Main Street
Ravenna, Ohio 44266

Portage County Educational Service Center
Spectrum Office Tower
326 E. Main Street
Ravenna, Ohio 44266

To Liberty Early Academic Resource Nest Academy and the Sponsor:

We have selectively tested certain accounts, financial records, files, and reports of the Liberty Early Academic Resource Nest Academy, Trumbull County, Ohio (LEARN), (the "Academy") as of and for the year ended June 30, 2011, following Ohio Administrative Code Section 117-4-02.

Management did not provide a written representation letter. The Academy did not present financial statements and notes in accordance with generally accepted accounting principles, and did not prepare Management's Discussion and Analysis.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

On September 7, 2011 the Governing Board voted to settle financially with its sponsor, the Liberty Local School District. The Sponsor withdrew sponsorship as part of the settlement, relieving the Sponsor of State mandated closing obligations. On September 15, 2011 the Portage County Educational Service Center became the Sponsor of the Academy. On October 14, 2011 the Academy suspended operations.

This report is intended solely for the information and use of officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2014

LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY

STATEMENT OF CASH BANK BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Amount</u>
Cash Bank Balance July 1, 2010	<u>\$226,895</u>
Cash Bank Balance June 30, 2011	<u>\$11,247</u>

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Liberty Early Academic Resource Nest Academy
Trumbull County
326 E. Main Street
Ravenna, Ohio 44266

Portage County Educational Service Center
Spectrum Office Tower
326 E. Main Street
Ravenna, Ohio 44266

To the Liberty Early Academic Resource Nest Academy and the Sponsor:

We have selectively tested certain accounts, financial records, files, and reports of Liberty Early Academic Resource Nest Academy, Trumbull County, Ohio (LEARN), (the "Academy"), as of and for the year ended June 30, 2011, following Ohio Administrative Code Section 117-4-02. We noted Management did not provide a written representation letter. The Academy did not present financial statements and notes in accordance with generally accepted accounting principles, or prepare Management's Discussion and Analysis. Additionally, the Governing Board voted to settle financially with its sponsor, the Liberty Local School District. The settlement was made on September 7, 2011. On September 15, 2011 the Portage County Educational Service Center became the Sponsor of the Academy. On October 14, 2011 the Academy suspended operations.

Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We, therefore, express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our opinion, may have adversely affected the Academy's ability to record, process, summarize, and report financial data consistent with assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2011-003, 2011-004 and 2011-008 through 2011-010.

Compliance and Other Matters

We have tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Academy. Noncompliance with these requirements could impact the Academy's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2011-001 through 2011-003, 2011-005 through 2011-007 and 2011-011 through 2011-015

We intend this report solely for the information and use of officials authorized to receive this report under Section 117.26, Ohio Revised Code, and it is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State
Columbus, Ohio

April 14, 2014

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Noncompliance - Annual Financial Report

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the amounts due from each source and amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirement of Ohio Revised Code Section 117.38. This section requires that all community schools file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Management's Discussion and Analysis;
- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP standards;
- Cash flow statement as prescribed by GAAP standards; and
- Notes to the financial statements as prescribed by GAAP standards.

The Academy did not file the June 30, 2011 financial report, which is required to be filed no later than November 30, 2011.

FINDING NUMBER 2011-002

Noncompliance - Deposits of Public Money

Ohio Revised Code Section 9.38 provides that a person who is a state officer, employee, or agent shall pay to the treasurer of state all public moneys received by that person as required by rule of the treasurer of state adopted pursuant to section 113.09 of the Revised Code. A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars.

If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-002

(Continued)

The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy; in the case of a board of county commissioners, the board may adopt such a policy with respect to public offices under the board's direct supervision and the offices of the prosecuting attorney, sheriff, coroner, county engineer, county recorder, county auditor, county treasurer, or clerk of the court of common pleas.

If a person who is a public official receives public moneys for a public office of which that person is not a public official, that person shall, during the first business day of the next week, pay to the proper public official of the proper public office the moneys so received during the current week.

The Academy had not deposited, in a timely manner, 100% of the state foundation receipts received.

FINDING NUMBER 2011-003

Noncompliance and Material Weakness - Records Retention

Ohio Revised Code 149.351(A) provides, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Ohio Revised Code Section 149.011(G) defines "records" for purposes of the public records law, as any document, device, or item, regardless of physical form or characteristic, including an electronic record as defined in section 1306 of the Revised Code, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

During the audit period, we noted 25 vendor payments were not supported with adequate documentation to substantiate the purpose of the expenditures. Also, during the audit period, we noted that 27 deductions were made from the Academy's bank account through electronic funds transfers or debit card payments to certain vendors. However, the Academy did not maintain any supporting documentation as to the purpose of such electronic funds transfers or debit card payments. These exceptions resulted in the subsequent finding for recovery being made in Finding Number 2011-007. The Academy does not have a records retention policy.

Failure to maintain copies of vouchers and supporting documentation increases the likelihood the Academy will pay an invoice more than once or will pay an amount that is incorrect or not for a public purpose. This also limits the ability of Academy management to reconstruct historical transactions.

The Academy should establish a Board-approved records retention policy. The Academy should also maintain all records and supporting documentation until such records have been subject to auditing procedures and only dispose of records in accordance with a Board-approved records retention policy.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

(Continued)

FINDING NUMBER 2011-004

Material Weakness - Reconciling Bank Accounts

There was no evidence that monthly or periodic bank reconciliations were performed by Academy officials. Failure to perform monthly bank reconciliations increases the likelihood that errors, omissions and unauthorized activity will not be detected by Academy management.

The Academy should reconcile these accounts monthly and timely correct any errors or mispostings. The Academy should also ensure that all reconciling items are sufficiently supported by documentation. Additionally, the Treasurer should include the monthly reconciliations in the report package that is given to the Board at their monthly meeting so that they can be kept informed of the financial position of the Academy. This will help improve financial accountability for all expenditures and reduce the risk of misappropriation of Academy assets.

FINDING NUMBER 2011-005

Noncompliance – Finding For Recovery - Unauthorized Payroll Expenditures

The Liberty Early Academic Resource Nest (LEARN) (the "School") entered into a Community School Sponsorship Contract with the Liberty Local School District Board of Education (the "Sponsor"). Article IV Section B of the Contract states "The Sponsor shall be the fiscal agent of the School and shall provide the services of a qualified individual who shall, as an employee or contractor of the Sponsor, serve as the School's fiscal officer. In the event that the person designated by the Sponsor to provide such services is also the Sponsor's Treasurer (or other employee), such individual shall serve the School in his/her official capacity as Sponsor's Treasurer (or other employee.) In exchange for the foregoing fiscal services, the School shall pay the Sponsor a reasonable amount not to exceed \$300 per day."

On July 1, 2010, LEARN paid the following Liberty Local School District employees, for Supplemental Accounting Services as follows:

NAME	POSITION	AMOUNT
Tracey Obermiyer	Treasurer	\$1,634
Renee Ray	Secretary	\$881
James Wilson, Jr.	Payroll Clerk	<u>\$1,800</u>
	TOTAL	\$4,315

On September 9, 2010, LEARN paid Renee Ray, Liberty LSD Secretary, an additional \$319 for Supplemental Accounting Services.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

(Continued)

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

On October 7, 2010, LEARN paid the following Liberty Local School District employees, for Supplemental Accounting Services as follows:

NAME	POSITION	AMOUNT
Tracey Obermiyer	Treasurer	\$4,950
Melissa Menning	EMIS Coordinator	\$1,567
Catherine Hivner	Accounts Payable Clerk	\$1,725
James Wilson, Jr.	Payroll Clerk	<u>\$638</u>
	TOTAL	\$8,880

On December 30, 2010, LEARN paid Melissa Menning, Liberty LSD EMIS Coordinator, an additional \$108 for Supplemental Accounting Services.

On April 21, 2011, LEARN paid Renee Ray, Liberty LSD Secretary, an additional \$110 for Supplemental Accounting Services.

According to the Community School Sponsorship Contract, each of the aforementioned individuals should have served LEARN in their official capacity as Sponsor employees, and should not have received direct compensation from LEARN. Furthermore, a review of Liberty Local School District's payroll records shows that each of the aforementioned individuals were compensated by Liberty Local School District for the same time worked.

The checks in question were signed by Tracey Obermiyer, Treasurer.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued as follows:

- against Tracey Obermiyer in the amount of \$6,584, in favor of LEARN Academy;
- against Renee Ray in the amount of \$1,310 in favor of LEARN Academy;
- against James Wilson, Jr. in the amount of \$2,438 in favor of LEARN Academy;
- against Melissa Menning in the amount of \$1,675 in favor of LEARN Academy;
- against Catherine Hivner in the amount of \$1,725 in favor of LEARN Academy.

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 strictly liable for the amount of the expenditure.

LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

(Continued)

FINDING NUMBER 2011-005
(Continued)

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

Accordingly, Tracey Obermeyer, Treasurer, is jointly and severally liable in the amount of \$13,732 and in favor of LEARN Academy.

FINDING NUMBER 2011-006

Noncompliance - Public Official's Bond

Ohio Revised Code Section 3314.011 provides that every community school established under this chapter shall have a designated fiscal officer. The Auditor of State may require by rule (see **OAC 117-6-07 (B)** below) that the fiscal officer of any community school, before entering upon duties as the fiscal officer of the school, execute a bond in an amount and with surety to be approved by the governing authority of the school, payable to the State, conditioned for the faithful performance of all the official duties required of the fiscal officer. Any such bond shall be deposited with the governing authority of the school, and a copy thereof, certified by the governing authority, shall be filed with the county auditor.

Additionally, **Ohio Administrative Code Section 117-6-07 (B)** requires a community school fiscal officer to execute a bond prior to entering upon the duties of the fiscal officer as provided for in **Ohio Revised Code Section 3314.011**. The governing authority prescribes the bond amount and surety by resolution.

The Academy did not provide evidence of a bond for the Fiscal Officer. Additionally, the Board did not approve the bond amount. This could result in the bond amount being inadequate and the Academy assuming unnecessary liability.

FINDING NUMBER 2011-007

Noncompliance – Finding For Recovery - Expenditures Lacking Proper Supporting Documentation

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a proper 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,"* provides that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

(Continued)

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

During the 2010-2011 school year, LEARN Academy issued 25 checks, 26 debit card expenditures, and one withdrawal to various vendors for which there was no additional supporting documentation on file, proper approval of the Governing Board could not be verified, and the purpose or necessity for the expenditure was not documented. This missing documentation should have included invoices, receipts or bills, as well as other documentation supporting the payment. These payments are detailed below:

Check Number	Check Date	Unsupported Amount	Vendor Name
1094	7/31/2010	\$ 5	Richard Weirick
1096	8/19/2010	392	Tracey Obermeyer
1102	11/1/2010	70	Sam's Club
1105	11/1/2010	208	Cocca's Pizza
1109	7/31/2010	451	Sherman Creative Promotions
1110	11/18/2010	860	Tracey Obermeyer
1111	7/31/2010	8,426	Teachers Discount
1113	12/30/2010	340	Youngstown Playhouse
1115	2/11/2011	57	Julie Biskup
1117	3/11/2011	121	Cheryl Coman
1118	4/30/2011	476	Warren Tribune
1121	6/1/2011	500	Lifes Digitals
1122	6/1/2011	938	Infinasource
1140	7/31/2010	14,004	Cacciato-Dixon
5027	12/22/2010	175	Mashorda Country Gardens
5041	12/30/2010	4,352	PC Mall
5061	1/31/2011	13,833	Cacciato-Dixon
5066	1/31/2011	816	Kaplan
5122	4/26/2011	60	Camelot Lanes
5133	4/28/2011	174	Camelot Lanes
5134	4/28/2011	93	Cocca's Pizza
5143	4/30/2011	342	Pymatuning Deer Park
5148	4/30/2011	92	Akron Zoo
5165	4/30/2011	13,833	Cacciato-Dixon
5179	4/30/2011	1,630	Liberty BOE
Total		\$ 62,248	

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

(Continued)

FINDING NUMBER 2011-007

(Continued)

Transaction Date	Check Number	Unsupported	
		Amount	Bank Statement Description - Payee
7/7/2010	Debit Card	\$ 86	POS Withdrawal - One Step Ahead LEAPS BNDS
7/7/2010	Debit Card	52	POS Withdrawal - Teachers Discount
7/8/2010	Debit Card	123	POS Withdrawal - Toys R Us - Babies R Us
7/12/2010	Debit Card	24	POS Withdrawal - Oriental Trading Co.
7/12/2010	Debit Card	1,157	POS Withdrawal - SSI School Specialty
7/12/2010	Debit Card	1,091	POS Withdrawal - SSI School Specialty
8/2/2010	Debit Card	358	POS Withdrawal - Sam's Club
9/10/2010	Debit Card	18	POS Withdrawal - CVS Pharmacy
9/16/2010	Other Withdrawal	428	External Withdrawal - Ohio Edison Direct Debiting
9/22/2010	Debit Card	15	POS Withdrawal - Amazon Mktplace
10/5/2010	Debit Card	17	POS Withdrawal - Amazon.com
10/14/2010	Debit Card	78	POS Withdrawal - Office Max Boardman
10/22/2010	Debit Card	375	POS Withdrawal - OAPCS
10/27/2010	Debit Card	375	POS Withdrawal - OAPCS
11/12/2010	Debit Card	400	POS Withdrawal - OAPCS
11/12/2010	Debit Card	89	POS Withdrawal - #4 Martini's Columbus
11/12/2010	Debit Card	460	POS Withdrawal - Renaissance Hotel Columbus
11/15/2010	Debit Card	35	POS Withdrawal - Mimis Café 112 Columbus
11/15/2010	Debit Card	180	POS Withdrawal - Hampton Inn
11/15/2010	Debit Card	159	POS Withdrawal - Hampton Inn
2/28/2011	Debit Card	214	POS Withdrawal - EIG Start Logic
2/28/2011	Debit Card	26	POS Withdrawal - EIG Start Logic
3/9/2011	Debit Card	30	POS Withdrawal - Lowes
3/14/2011	Debit Card	24	POS Withdrawal - USPS Girard
3/21/2011	Debit Card	24	POS Withdrawal - Oriental Trading Co.
4/4/2011	Debit Card	39	POS Withdrawal - EdHelper
6/6/2011	Debit Card	6	POS Withdrawal - UPS
Total		<u>\$ 5,883</u>	

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-007

(Continued)

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

The bank account that these expenditures were paid from/charged against has one authorized signatory, Tracey Obermiyer, Treasurer.

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 this expenditure. *Steward v. National Surety Co. (1929)*, 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Revised Code Section 9.39; ex.rel. *Village of Linndale v. Masten (1985)*, 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recover or restitutions not obtained from the person who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Tracey Obermiyer, Treasurer, in the amount of \$68,131 and in favor of LEARN Academy.

FINDING NUMBER 2011-008

Material Weakness - Check Management

We identified the following problems with the Academy's management of checks:

- Excessive use of manual checks, which resulted in the issuance of duplicate check numbers.
- Multiple breaks in check sequence due to voided checks, and that multiple check sequences were used during the audit period.
- 104 instances out of 309 in which there was an unusual delay between the date of the check and the date the check was paid.
- 86 instances out of 346 in which an expenditure was not posted in a timely manner.

These errors may lead to items not properly accounted for on the Academy's cash reconciliations, resulting in the inability to reconcile. Moreover, the inability to reconcile affects the determination of a proper cutoff of cash when preparing annual financial statements.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

(Continued)

FINDING NUMBER 2011-009

Material Weakness - Board Monitoring of Financial Reports

Financial reports of the Academy's activities are important resources to help keep the Board informed of the Academy's financial status and to aid in making financial decisions in the best interest of the Academy.

For fiscal year 2011, we noted that the Board approved a "Financial Report" at its regular meetings, but the Academy provided no evidence as to which reports were included within this "Financial Report".

Financial information should be presented at each regular meeting and the minutes should reflect the Board review and acceptance of this financial information.

The financial information submitted for review and approval should include some of the following data and any other reports that Board deems necessary:

- A listing of bills to be paid which includes the warrant number;
- Total revenue received and disbursements paid for the month;
- A comparison of actual revenue versus estimated revenue year to date;
- A comparison of actual expenditures versus budgeted expenditures year to date;
- A copy of the monthly bank reconciliations;
- A fund balance report.

This may help keep the Board informed of the financial status of the Academy, aid in monitoring the finances, and help in making financial decisions.

FINDING NUMBER 2011-010

Material Weakness – Lack of Management Representation

AICPA Codification of Auditing Standards (AU) section 333 states that the auditor should obtain written representations from current management on all periods covered in the audit report. An auditor should obtain representations from those members of management with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through other in the organization, the matters covered by the representations.

AU section 333 further states that management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause an auditor to disclaim an opinion or withdraw from the engagement.

Management was not willing to provide representation. The Academy suspended operations on October 14, 2011.

Therefore based on management's refusal to provide written representations in connection with the audit of the financial statements we disclaimed an opinion on the financial statements.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-011

Noncompliance – Annual Report of Activities

Ohio Revised Code Section 3314.03(A)(11)(g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Revised Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a school's success) and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The Academy failed to provide any evidence of the required annual report of its activities and progress in meeting the goals and standards as required by the above Ohio Revised Code Section, as well as, its Financial status to the sponsor, the parents of all students enrolled in the Academy, and the legislative office of education oversight for the audit period.

FINDING NUMBER 2011-012

Noncompliance – Condition of Accounting Records

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

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records.

During our testing of the Academy's receipt and disbursement cycles, we noted the following errors and irregularities related to the Academy's records:

- GAAP financial statements (including notes to the financial statements and management's discussion and analysis) were not prepared for the audit period;
- Capital asset records were not maintained;
- The Academy has not developed and implemented procedures to record capital asset additions when purchased and deletions when disposed of throughout the year;
- There was no evidence the Board approved expenditures prior to being made, nor did they review the expenditures after they were made to ensure they were accurately recorded, necessary and for a proper public purpose;
- No one independent of the purchasing process reviewed the activity to ensure the accuracy, appropriateness, or allowability of the expenditure;

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2011**

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

FINDING NUMBER 2011-012

(Continued)

- No evidence of the Board's or management's monitoring controls over the monthly and annual financial statements; the revenue and expenditures internal control process; the compliance with grant agreements for federal and state grants; ensuring that an adequate segregation of duties exists; and review of the monthly bank reconciliations;
- The Academy did not provide any receipt or disbursement ledgers for the audit period, since revenues and expenditures were not posted to the system;
- The Academy did not maintain the supporting documentation for student full-time equivalencies reported to the Ohio Department of Education;
- The Academy did not provide the Treasurer's contract covering the audit period;
- The Academy did not provide a Treasurer's bond for the Acting Treasurer;
- The Academy did not provide any personnel records.
- The Academy did not provide a formal policy governing the use of credit cards;
- The Academy did not provide a formal policy governing the reimbursement of travel expenses.

Failure to maintain records to support the financial statements impedes management's ability to make informed decisions as well as provide for the integrity of the Academy's financial statements and related assets.

FINDING NUMBER 2011-013

Noncompliance – Liability Insurance

Ohio Revised Code Section 3314.03(11)(b) states that the governing authority of each community school must purchase liability insurance, or otherwise provide for the potential liability of the Academy. Additionally the sponsor contract requires that comprehensive general liability insurance should be maintained at all times and the liability insurance must have amounts no less than one million dollars per occurrence and three million in the aggregate.

The Academy did not provide proof of general liability insurance purchased.

FINDING NUMBER 2011-014

Noncompliance - Rubber Stamp

Ohio Revised Code Section 9.10 does not authorize the use of a rubber stamp signature by the official or authorized employee referred to in Section 9.11 of the Revised Code on the face of any instrument mentioned in such section.

The Academy uses a rubber stamp for signatures on manual checks.

The existence of a rubber stamp provides unauthorized users the ability to sign checks and to circumvent the segregation of duties control.

LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2011

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

(Continued)

FINDING NUMBER 2011-015

Noncompliance – Public Meetings Notification

Ohio Revised Code Section 121.22 (F) requires every public body, by rule, shall establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours' advance notice to the news media, except in the event of an emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media immediately of the time, place, and purpose of the meeting.

We were unable to obtain any evidence that meetings were being properly advertised. The Board should advertise meetings of the Governing Board as described above to comply with this aforementioned Ohio Revised Code section.

Official's Response:

There was no official response provided by the Academy.

**LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Annual Financial Report not filed timely	No	2011-001
2010-002	Deposits of public money was not timely	No	2011-002
2010-003	No evidence of bank reconciliations	No	2011-004
2010-004	Unauthorized payroll FFR	No	2011-005
2010-005	Public Official's Bond not presented	No	2011-006
2010-006	Expenses lacking proper documentation – FFR	No	2011-007
2010-007	Expenses lacking proper documentation – FFR	No	2011-007
2010-008	Records Retention, supporting documents were not retained	No	2011-003
2010-009	There was no evidence as to reports provided the Board titled financial reports	No	2011-009
2010-010	No Representation letter provided	No	2011-010
2010-011	No annual report of activities prepared	No	2011-011

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Dave Yost • Auditor of State

LIBERTY EARLY ACADEMIC RESOURCE NEST ACADEMY

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**