



Dave Yost • Auditor of State

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board Members and Sponsor:

We were engaged to audit the accompanying basic financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of *Investment In LLC* as of and for the year ended June 30, 2012.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of *Accounts Payable* as of and for the year ended June 30, 2012.

The Academy did not provide sufficient evidence supporting the accuracy of *Invested in Capital Assets, Net of Related Debt* as of June 30, 2012.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of the *Statement of Cash Flows* as of and for the year ended June 30, 2012.

The Academy did not provide sufficient evidence supporting the completeness and accuracy of *Capital Assets* as of and for the year ended June 30, 2012.

The Academy's legal counsel did not disclose whether any contingencies related to pending litigation existed.

Management has not provided written representations, which are required by auditing standards generally accepting in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Thus we were unable to obtain written representations related to the financial statements; completeness of information; and recognition, measurement and disclosure of misstatements, fraud, unasserted claims, undisclosed liabilities and violations of laws and regulations by management.

Due to the significance of the matters discussed in paragraphs two through seven above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the Academy.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because we were unable to obtain sufficient evidence to express an opinion or provide any other assurance.

We were engaged to opine on the Academy's financial statements. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is not a required part of the financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. These statements were subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. We were unable to obtain written representations from the Academy's management. Because of the significance of this matter, it is inappropriate to and we do not express an opinion on the federal awards receipts and expenditure schedule.



Dave Yost
Auditor of State

Columbus, Ohio

March 9, 2015

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of the Cincinnati College Preparatory Academy's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

In total, net assets decreased \$84,026, which represents a 4% decrease from 2011. This decrease was due to an increase fringes for employees and purchased services related to buildings renovations.

Total assets decreased \$413,043, which represents a 6% decrease from 2011. This was primarily due to the Academy investing in a middle school building and another elementary school building and the related costs, as well as depreciation of owned assets.

Liabilities decreased \$329,017, which represents a 7% decrease from 2011. Accounts payable decreased by \$60,707. The decrease in payables was primarily due to the timing of expenses paid.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "What is our financial position at June 30, 2012?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 1 provides a summary of the Academy's net assets for fiscal year 2012 and fiscal year 2011:

**Table 1
Net Assets**

| <u>Assets</u> | <u>2012</u> | <u>2011</u> |
|----------------------------|--------------------|--------------------|
| Current Assets | 126,666 | 352,249 |
| Capital Assets, Net | 4,963,102 | 5,150,561 |
| Investment in LLC | <u>1,402,334</u> | <u>1,402,334</u> |
| Total Assets | <u>6,492,101</u> | <u>6,905,144</u> |
| <u>Liabilities</u> | | |
| Current Liabilities | 1,840,034 | 1,732,985 |
| Non-Current Liabilities | <u>2,413,454</u> | <u>2,849,520</u> |
| Total Liabilities | <u>4,253,488</u> | <u>4,582,505</u> |
| <u>Net Assets</u> | | |
| Invested in Capital Assets | 3,445,809 | 3,445,809 |
| Unrestricted | <u>(1,207,195)</u> | <u>(1,123,169)</u> |
| Total Net Assets | <u>2,238,613</u> | <u>2,322,639</u> |

Total assets decreased \$413,043. This decrease was primarily due to the collection of a receivable, and depreciation of fixed assets. Cash and cash equivalents increased approximately \$26,165 from 2011 due to concurrent increases in revenues and expenses due to increased student enrollment. Intergovernmental Receivables decreased by \$38,682. This decrease was due to the timing of the receipt of some grants. Most of the receipts from fiscal year 2012 grants were received in fiscal year 2012. Capital Assets, net of depreciation decreased by \$84,026. This decrease is due to an increase in depreciation expense.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2012 and fiscal year 2011, as well as a listing of revenues and expenses.

**Table 2
Change in Net Assets**

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|------------------|--------------------|
| <u>Operating Revenues</u> | | |
| Charges for Services | 155,340 | \$126,918 |
| Foundation Payments | 5,472,049 | 4,318,754 |
| Rental Income | 189,697 | 97,900 |
| <u>Non-Operating Revenues</u> | | |
| Federal and State Grants | <u>1,397,085</u> | <u>1,905,028</u> |
| Total Revenues | <u>7,214,171</u> | <u>\$6,448,600</u> |
| <u>Operating Expenses</u> | | |
| Salaries | 2,905,471 | 2,864,740 |
| Fringe Benefits | 1,086,000 | 869,933 |
| Purchased Services | 1,559,361 | 1,257,444 |
| Materials and Supplies | 1,089,277 | 933,449 |
| Depreciation | 234,371 | 205,418 |
| Other Expenses | <u>423,716</u> | <u>612,700</u> |
| Total Operating Expenses | <u>7,298,197</u> | <u>6,743,684</u> |
| <u>Non-Operating Expense</u> | | |
| Increase in Net Assets | <u>(84,026)</u> | <u>(295,083)</u> |

Net assets increased from 2011 to 2012, by \$211,057. Revenues increased \$765,571 and non-depreciation expenses increased \$525,560 over 2011. Of the increase in revenues, Federal grants decreased by \$507,943. Community Schools receive no support from tax revenues.

The expense for salaries increased by \$40,732 and the expense for fringe benefits increased by \$216,067 from 2011. This was primarily due to an increase in staff salaries and staffing levels during fiscal year 2012 and increases in health care coverage. Materials and supplies expense increased by \$155,829 from 2011. The need for supplies increased with the enrollment increase. Depreciation expense increased by \$28,953, primarily because of a full year's depreciation of assets purchased in the prior year. According to the Academy's capital asset policy, depreciation is expensed for new capital assets in each month beginning in the month they are purchased.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2012 the Academy had \$5,749,385 invested in building improvements, furniture, fixtures and equipment, and vehicles, which represented an increase of \$11,531 from 2011. Table 3 shows fiscal year 2012 and fiscal year 2011:

**Table 3
Capital Assets at June 30, 2012
(Net of Depreciation)
(In Thousands)**

| | 2011 | 2012 |
|-------------------------------------|---------------------|---------------------|
| Buildings and Building Improvements | \$5,737,854 | \$5,749,385 |
| Furniture, Fixtures and Equipment | 413,572 | 439,323 |
| Vehicles | 124,488 | 134,118 |
| Less Accumulated Depreciation | <u>(1,125,354)</u> | <u>(1,359,725)</u> |
| Totals | <u>\$ 5,150,561</u> | <u>\$ 4,963,102</u> |

The significant increase is due to the investment in buildings and improvements. For more information on capital assets see Note 5 to the basic financial statements.

Current Financial Issues

The Cincinnati College Preparatory Academy was formed in 1999. During the 2011-2012 school year, there were approximately 840 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2012 amounted to approximately \$6,624 per student. The average number of years experience for teachers was 8 years.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Treasurer at CCPA, 1425 Linn Street, Cincinnati, Ohio 45214.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2012**

| ASSETS | <u>2012</u> | <u>2011</u> |
|---------------------------------|--------------------|--------------------|
| Current Assets | | |
| Cash and Cash Equivalents | 67,324 | 41,159 |
| Intergovernmental Receivables | 57,649 | 96,331 |
| Accounts Receivable | <u>1,693</u> | <u>214,759</u> |
| Total Current Assets | <u>126,666</u> | <u>352,249</u> |
| Noncurrent Assets | | |
| Depreciable Capital Assets, Net | 4,963,102 | 5,150,561 |
| Investment in LLC | <u>1,402,334</u> | <u>1,402,334</u> |
| Total Noncurrent Assets | <u>6,365,436</u> | <u>6,552,895</u> |
| Total Assets | <u>6,492,101</u> | <u>6,905,144</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 685,413 | 746,121 |
| Accrued Wages and Benefits | 391,158 | 365,172 |
| Short Term Debt | <u>763,463</u> | <u>621,692</u> |
| Total Current Liabilities | <u>1,840,034</u> | <u>1,732,985</u> |
| Long-Term Liabilities | | |
| Long Term Debt | <u>2,413,454</u> | <u>2,849,520</u> |
| Total Liabilities | <u>4,253,488</u> | <u>4,582,505</u> |
| Net Assets | | |
| Invested in Capital Assets | 3,445,809 | 3,445,809 |
| Unrestricted | <u>(1,207,195)</u> | <u>(1,123,169)</u> |
| Total Net Assets | <u>2,238,613</u> | <u>2,322,639</u> |

See accompanying notes.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2012**

| | 2012 | 2011 |
|--|----------------------|----------------------|
| <u>Operating Revenues</u> | | |
| Charges for Services | 155,340 | 126,918 |
| Foundation Payments | | |
| | 5,472,049 | 4,318,754 |
| Rental Income | | |
| | <u>189,697</u> | <u>97,900</u> |
| Total Operating Revenues | <u>5,817,086</u> | <u>4,543,572</u> |
| <u>Operating Expenses</u> | | |
| Salaries | 2,905,471 | 2,864,740 |
| Fringe Benefits | 1,086,000 | 869,933 |
| Purchased Services | 1,559,361 | 1,257,444 |
| Materials and Supplies | 1,089,277 | 933,449 |
| Depreciation | 234,372 | 205,418 |
| Other Expenses | <u>423,716</u> | <u>612,700</u> |
| Total Operating Expenses | <u>7,298,197</u> | <u>6,743,684</u> |
| <u>Operating Loss</u> | (1,481,111) | (2,200,112) |
| <u>Non-Operating Revenues</u> | | |
| Federal and State Grants | 1,397,085 | 1,905,028 |
| Increase in Net Assets | (84,026) | (295,084) |
| Beginning Net Assets | 2,322,639 | 2,617,723 |
| Ending Net Assets | 2,238,613 | 2,322,639 |
| | ===== | ===== |

See accompanying notes.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2012**

| | <u>2012</u> |
|--|---------------------------|
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from State of Ohio | 5,472,049 |
| Other Cash Receipts | <u>345,038</u> |
| Cash Payments to Employees | (2,879,487) |
| Cash Payments to Employees for Fringe Benefits | (1,086,000) |
| Cash Payments for Supplies or Services | (2,741,172) |
| Cash Payments for Other Activities | <u>(286,244)</u> |
| <i>Net Cash Used for Operating Activities</i> | (1,175,816) |
| <u>Cash Flows from Noncapital Financing Activities:</u> | |
| Federal and State Grants Received | <u>1,435,768</u> |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | 259,952 |
| Loans to Finance Capital Assets | - |
| Loan Payments on Financed Capital Assets | (446,827) |
| Acquisition of Capital Assets | <u>(46,912)</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>(233,787)</u> |
| <i>Net Change in Cash and Cash Equivalents</i> | <u>26,165</u> |
| Cash and Cash Equivalents at Beginning of Year | 41,159 |
| Cash and Cash Equivalents at End of Year | <u><u>67,324</u></u> |
| <u>Reconciliation of Operating Income to Net Cash Used for Operating Activities:</u> | |
| Operating Loss | <u>(1,481,112)</u> |
| <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u> | |
| Depreciation Expense | 234,372 |
| Changes in Assets and Liabilities <i>Increase or (Decrease)</i> | |
| Increase in Loans to Other Organizations | 38,281 |
| Increase in Receivables | 50,000 |
| Increase in Short-Term Loans | 25,985 |
| Increase in Accounts Payable | (43,342) |
| Total Adjustments | <u>305,296</u> |
| <i>Net Cash Used by Operating Activities</i> | <u><u>(1,175,816)</u></u> |

See accompanying notes.

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades one through eight. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. Cincinnati College Preparatory Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy currently has a sponsorship agreement with Kid's Count of Dayton, Inc.

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by certified full time teaching personnel who provide services to 826 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cincinnati College Preparatory Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore no budgetary information is presented in the financial statements.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| | |
|-------------------------------------|--------------|
| Buildings and Building Improvements | 1 - 50 Years |
| Furniture, Fixtures and Equipment | 5 Years |
| Vehicles | 5 Years |

Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the state and sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 3 – DEPOSITS

At fiscal year end, the carrying amount of the Academy's deposits was \$67,324, and the bank balance was \$83,532. Of the bank balance, \$250,000 is covered by federal depository insurance. When needed, excess deposits are collateralized with securities held in the financial institution's pool of investments pledged to collateralize all public deposits.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental. All receivables are considered collectible in full and will be received within one year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012:

| | Balance June 30, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|--------------------------|--------------------|-----------|--------------------------|
| <u>Business-Type Activity</u> | | | | |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | \$5,737,854 | \$11,531 | \$ | \$5,749,385 |
| Furniture, Fixtures and Equipment | 413,572 | \$25,751 | - | \$439,323 |
| Vehicles | <u>124,488</u> | <u>9,630</u> | - | <u>\$134,118</u> |
| Total Capital Assets Being Depreciated | <u>6,275,915</u> | <u>46,912</u> | - | <u>\$6,322,827</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | 600,631 | 200,580 | - | \$801,211 |
| Furniture, Fixtures and Equipment | 428,771 | 20,039 | - | \$448,811 |
| Vehicles | 95,952 | 13,752 | - | \$109,704 |
| Total Accumulated Depreciation | <u>1,125,354</u> | <u>234,372</u> | - | \$1,359,725 |
| Total Capital Assets Being Depreciated, Net | <u>5,150,561</u> | <u>(187,459)</u> | - | |
| Business-Type Activity, Capital Assets, Net | <u>\$ 5,150,561</u> | <u>(\$187,459)</u> | | <u>\$ 4,963,102</u> |

NOTE 6 – INVESTMENT IN LIMITED LIABILITY COMPANY (LLC)

In February, 2011, the Academy entered into an agreement with The Young Men’s Christian Association of Greater Cincinnati (YMCA) to form West End Cincinnati Victory Partners LLC (LLC). The purpose of the LLC is to own and maintain the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC. The YMCA is the managing partner of the LLC.

NOTE 7 – LONG-TERM LIABILITIES

As of June 30, 2012, the Academy had the following long-term liabilities:

| | 2012 | 2011 |
|---------------------|-------------|--------------|
| Building Loans | \$2,360,364 | \$2,741,579 |
| Note Payable - YMCA | 186,666 | 23,334 |
| Term Loans | 53,091 | 108,421 |
| | | |
| TOTAL | \$2,978,333 | \$ 2,873,334 |

In August of 2003, the Academy purchased a building and entered into a mortgage loan for \$790,000 to finance the purchase. The loan carries a five-year amortization, a floating interest rate of the prime rate plus .50%, and is renewable. (The prime rate was 3.25% at June 30, 2012). Only interest was paid during the first year of amortization.

In April, 2007, the Academy signed a note payable for \$700,000 to its co-investor in the LLC for leasehold improvements made to the building which the LLC owns. The note is non-interest bearing with equal quarterly installments due beginning in August, 2007. The remaining principal amounts are scheduled at the following:

| | |
|-------|-------------------|
| | - |
| 2013 | <u>186,666</u> |
| TOTAL | <u>\$ 186,666</u> |

In March of 2008, the Academy purchased another building and entered into a mortgage loan for \$800,000 to finance the purchase. The loan carries a ten-year amortization, and a fixed interest rate of 6.25% at June 30, 2012. Principal payments are *estimated* at the following:

| | |
|--------------------|----------------|
| | 30,000 |
| 2013 Thereafter | <u>645,774</u> |
| TOTAL | <u>701,774</u> |

In December of 2009, the Academy entered into a construction loan for \$744,000 to finance the renovations to the building purchased in March 2009. The loan carries a ten-year amortization, a fixed interest rate 7.15%,

CINCINNATI COLLEGE PREPARATORY ACADEMY

and is renewable. Principal payments are *estimated* at the following:

HAMILTON COUNTY

| | |
|------------|----------------|
| 2013 | 26,000 |
| Thereafter | <u>620,229</u> |

\$672,229

As of June 30, 2012, the loan balance reflected the net of the loan amount less principal payments.

In February of 2011, the Academy entered into a term loan for \$163,333 to finance expenses associated with the renovations and furnishings of the high school building. The loan carries a four-year amortization, a fixed interest rate of 5.5%. Principal payments are *estimated* at the following:

| | |
|------------|---------------|
| 2012 | 38,096 |
| 2013 | 38,096 |
| Thereafter | <u>42,755</u> |

| | |
|-------|------------|
| TOTAL | \$ 141,946 |
|-------|------------|

In February of 2011, the Academy entered into a second term loan for \$200,000 to finance expenses associated with the renovations and furnishings of the high school building. The loan carries a four-year amortization, a fixed interest rate of 5.5%. Principal payments are *estimated* at the following:

| | |
|------------|---------------|
| 2012 | 46,206 |
| 2013 | 46,206 |
| Thereafter | <u>54,123</u> |

| | |
|-------|------------|
| TOTAL | \$ 181,456 |
|-------|------------|

In October of 2010, the Academy entered into a seller-financed loan for \$400,000 to finance the acquisition of an elementary school building. The loan carries a four-year amortization, a straight-line fixed interest rate of 8%, with one annual payment of \$ 100,000 towards principal. Principal payments are *estimated* at the following:

| | |
|------------|----------------|
| 2013 | 100,000 |
| 2014 | 100,000 |
| Thereafter | <u>200,000</u> |

| | |
|-------|------------|
| TOTAL | \$ 400,000 |
|-------|------------|

In October of 2010, the Academy entered into a seller-financed, lease to own agreement loan for \$740,000 to finance the acquisition of an elementary school building. The loan carries a monthly payment of \$ 10,300, with \$2300 directed towards interest and \$ 8,000 towards principal. The agreement was re-negotiated in November 2012 to increase the monthly payment to \$ 12,800, with \$ 2800 directed to interest, and \$ 10,000 towards principal. Principal payments are *estimated* at the following:

| | |
|------------|----------------|
| 2013 | 112,000 |
| 2014 | 100,000 |
| Thereafter | <u>200,000</u> |

TOTAL \$ 388,000

NOTE 8 – RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Academy contracted with the O'Neill Group for general liability and property insurance and for educational errors and omissions insurance.

Coverages are as follows:

| | |
|--|--------------|
| Buildings and Contents (\$1,000 deductible) | \$ 1,000,000 |
| Boiler and Machinery (\$1,000 deductible) | 1,000,000 |
| Business Personal Property (\$1,000 deductible) | 1,000,000 |
| Educational Errors and Omissions (\$1,000 each loss) | 1,000,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 2,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past five years. There has been no significant change in insurance coverage from last year.

Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The stand-alone report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current school rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012, 10% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$124,060, \$ 111,866 and \$92,305 respectively; 85% has been contributed for fiscal year 2012 and 100% for fiscal years 2011 and 2010.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2012, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement System Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$300,688, \$240,102 and \$243,528 respectively; 94% has been contributed for fiscal year 2012 with the balance recorded as a liability in the statements, and 100% has been contributed for 2011 and 2010.

NOTE 10 – POST-EMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

NOTE 10 – POST-EMPLOYMENT BENEFITS (Continued)

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2012, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$21,478 for fiscal year 2012.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2009, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premiums for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2012, employer contributions to fund health care benefits were 4.67% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2012, the minimum pay was established at \$35,800; however, the surcharge is capped at 1.5% of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits during the 2012 fiscal year equaled \$41,356.

NOTE 11 – EMPLOYEE BENEFITS

The Academy provides life and medical/surgical and dental benefits to most employees through United Health Care of Ohio and Dental Care Plus.

NOTE 12 –

CONTINGENCIES

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. For fiscal year 2012, the review is pending completion in January 2006. For the Academy, there was an insignificant variance between the amount received to date and the final payment in 2009; an insignificant variance is expected for fiscal year 2012 also. This variance will have no effect on the financial standing of the Academy.

NOTE 13- COMMUNITY SCHOOL CONTINGENCY FOOTNOTE DISCLOSURE

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date. PACE HIGH SCHOOL received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 14 – RELATED PARTY TRANSACTIONS

ROAR Education, also known as Education Catalysts, an entity formed to provide training to school operators, teachers, and staff, was operated from the same location as CCPA during 2012 and did not pay for use of the facilities.

Board Member Ron Gore was also on the YMCA Board. Board member Janet Ulrich is employed by Millard and Associates, which is owned by the Treasurer, Stephanie Millard.

An agreement was entered into in February 2005 between the YMCA and CCPA to form “West End Cincinnati Victory Partners.” The LLC owns and maintains the building which the Academy and the YMCA occupy. The Academy owns 75% of the LLC – (see 2005 audit report note 6).

Six payments totaling \$70,000 were made during the fiscal year to the YMCA, of which Joe Calloway, CCPA Board member, is Executive Director.

NOTE 15 – PURCHASED SERVICES

For the year ended June 30, 2012, purchased service expenses were comprised of the following:

| | |
|-------------------------------------|--------------------|
| Instruction Services | \$146,636 |
| Special Education Services | 32,613 |
| Data Processing | 69,736 |
| Field Trips and Team Sports | 66,756 |
| Health Services | 51,725 |
| Travel and Professional Development | 83,871 |
| Professional and Technical | 354,818 |
| Communication | 26,969 |
| Printing | 33,701 |
| Property Services | 537,387 |
| Utilities | 140,063 |
| Other | <u>15,086</u> |
| | <u>\$1,559,361</u> |
| Total Purchased Services | |

**NOTE 16 DISCLOSURE FOR INCLUSION IN SCHOOL/COMMUNITY SCHOOL CONTINGENCY FOOTNOTE
DISCLOSURE**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012**

| <u>Federal Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Federal Revenues</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|-----------------------------|---------------------------------|
| Nutrition Cluster: | | | |
| National school breakfast | 10.553 | \$ 117,503 | \$ 125,795 |
| National school lunch | 10.555 | \$ 288,692 | \$ 309,065 |
| total nutrition cluster | | <u>\$ 406,195</u> | <u>\$ 434,860</u> |
| <i><u>Passed Through Ohio Department of Education:</u></i> | | | |
| Special Education: | | | |
| IDEA Part B | 84.027 | \$ 127,998 | \$ 116,272 |
| Early Childhood IDEA Part B | 84.173 | \$ 44 | \$ - |
| Total Special Ed Cluster | | <u>\$ 128,042</u> | <u>\$ 116,272</u> |
| Education Jobs | 84.410 | \$ 13,265 | \$ 11,730 |
| Title I: | | | |
| Title I, Consolidated | 84.010 | \$ 721,152 | \$ 794,094 |
| Title I, ARRA | 84.389 | \$ 74,669 | \$ 81,900 |
| Total Title I Cluster | | <u>\$ 795,821</u> | <u>\$ 875,994</u> |
| Title II D | 84.318 | \$ 5,140 | \$ 5,140 |
| Improving Teacher Quality - Title II-A | 84.367 | \$ 45,196 | \$ 42,016 |
| Total Passed Through Ohio Department of Education | | <u>\$ 987,464</u> | <u>\$ 1,051,152</u> |
| Total U.S. Department of Education | | <u><u>\$ 1,393,659</u></u> | <u><u>\$ 1,486,012</u></u> |

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Cincinnati College Preparatory Academy's (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The Academy reports commodities consumed on the Schedule at the fair value. The Academy allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the Academy to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Academy has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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*

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board Members and Sponsor:

We were engaged to audit the financial statements of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 9, 2015. Our report indicated that because we were unable to obtain written representations from the Academy's management, the Academy failed to adequately present or document investment in LLC, invested in capital assets net of related debt, capital assets, accounts payable, cash flow statements, and contingencies relating to any pending litigation, we did not express an opinion.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings 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 2012-009 and 2012-010 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 Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-001 through 2012-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 9, 2015.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

March 9, 2015



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

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board Members and Sponsor:

Compliance

We have audited the compliance of Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Cincinnati College Preparatory Academy's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Academy's compliance based on our audit.

Our compliance audit followed 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure 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 Academy's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with these requirements.

As described in findings 2012-012 through 2012-022 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Cost, and Reporting applicable to its Title I and Nutrition Cluster major federal programs; Special Tests and Provisions: Highly Qualified Teachers, Program Income and Maintenance of Effort applicable to its Title I Grants to Local Educational Agencies major federal program; and Cash Management, Eligibility, Procurement, Suspension and Debarment and Reporting applicable to its Nutrition Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Cincinnati College Preparatory Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The Academy'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 Academy'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 Academy'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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-011 through 2012-15, 2012-18, and 2012-022 to be material weaknesses.

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

We intend this report solely for the information and use of the audit committee, management, the Board, the Community School'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 9, 2015

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Disclaimer |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Qualified – CFDA 10.553 and 10.555 Nutrition Cluster CFDA 84.010 and 84.389 Title I Educational Agencies Cluster |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | CFDA 10.553 and 10.555 Nutrition Cluster CFDA 84.010 and 84.389 Title I Educational Agencies Cluster |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2012-001

Finding for Recovery

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.

Lisa Hamm, Superintendent, charged \$32,518 in expenditures to CCPA/LKH Victory Corporation credit cards resulting in improper payments. Specifically, these checks were issued to vendors such as Hard Rock Cafe, Jeff Ruby Steakhouse, Broadway Across America, Open Top Sightseeing and Swim Outlet related to entertainment, trips and personal items for Academy Staff.

| Category | Amount |
|---|------------------|
| Staff and Student Incentives | \$ 8,922 |
| Preschool Expenses Unrelated to CCPA Operations | 8,885 |
| Washington Trip | 2,892 |
| Meals | 4,351 |
| Miscellaneous Expenses | 7,468 |
| Total | \$ 32,518 |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Lisa Hamm, Superintendent, in the amount of \$32,518.

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.

Lisa Hamm, Superintendent, signed checks noted above for improper payments in the amount of \$2,724. Stephanie Millard, School Treasurer, signed some the checks noted above for improper payments. Accordingly, Fiscal Officer Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$29,794.

Officials’ Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-002

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

During the 2011-2012 school year, payments totaling \$40,517 were made to Lisa Hamm, Superintendent, without Board approval. Ledgers indicated that the payments were for reimbursements; however, there was no evidence the Board approved the reimbursement payments. Further, there was no indication the payments were 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 money is hereby issued against Lisa Hamm, Superintendent, in the amount of \$40,517.

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.

Stephanie Millard, School Treasurer, signed the checks noted above for improper payments. Stephanie Millard, Treasurer, and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$40,517 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-003

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

During the 2011-2012 school year, Stephanie Millard signed twelve checks to various vendors totaling \$4,225. The Academy could not locate all of the vendor invoices or other documentation to support the purpose of these payments. Based on the lack of supporting documentation for the checks we were unable to determine if the expenditures were for a proper public purpose. These expenditures were not approved by the Board. Also, these payments were made to vendors such as the Cincinnati Bengals, and Cincinnati Preschool Academy.

**FINDING NUMBER 2012-003
 (Continued)**

A summary of these payments follows:

| Category | Amount |
|---|----------------|
| Staff & Student Incentives | \$ 576 |
| Preschool Expenses Unrelated to CCPA Operations | 440 |
| Miscellaneous Expenses Unrelated to CCPA Operations | 709 |
| Washington Trip | 2,500 |
| | |
| Total | \$4,225 |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Stephanie Millard, Treasurer, and her bonding company, Ohio Farmers Insurance Company, jointly and severally in the amount of \$4,225 for public monies illegally expended in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-004

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

Clinton Davis (teacher) salary for the 2012 school year was approved by the Board on September 13, 2011, and was for \$32,815. Clinton Davis was paid a total of \$35,265, which resulted in an overpayment of \$2,450. Ledgers indicated that the overpayments were for extracurricular activities; however, there was no evidence the Board approved an amendment to his contract or extra payments for extracurricular activities.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Clinton Davis, Teacher, in the amount of \$2,450.

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 2012-004
(Continued)**

Stephanie Millard, Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, jointly and severally in the amount of \$2,450 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-005

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

Charles Newton's (Teacher) salary for the 2012 school year was approved by the Board on September 13, 2011, and was for \$43,565. Charles Newton was paid a total of \$45,933, which resulted in an overpayment of \$2,368. Ledgers indicated that the overpayments were for extracurricular activities and summer school; however, there was no evidence the Board approved an amendment to his contract or extra payments for extracurricular activities.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Charles Newton, Teacher, in the amount of \$2,368.

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.

Stephanie Millard, Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$2,368 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-006

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

Mosi Williams' (teacher) salary for the 2012 school year was approved by the Board on September 13, 2011, and was for \$32,815. Mosi Williams was paid a total of \$33,615, which resulted in an overpayment of \$800. Ledgers indicated that the overpayments were for extracurricular activities; however, there was no evidence the Board approved an amendment to his contract or extra payments for extracurricular activities.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Mosi Williams, Teacher, in the amount of \$800.

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.

Stephanie Millard, Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$800 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-007

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose.

Alisha Knox's (teacher) salary for the 2012 school year was approved by the Board on September 13, 2011, and was for \$10 per hour. Alisha Knox was paid a total of \$11,923, which resulted in an overpayment of \$1,460. Ledgers indicated that the overpayments were for extracurricular activities; however, there was no evidence the Board approved an amendment to her contract or extra payments for extracurricular activities.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money is hereby issued against Alisha Knox, Teacher, in the amount of \$1,460.

**FINDING NUMBER 2012-007
(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.

Stephanie Millard, Treasurer, signed the checks noted above for improper payments. Stephanie Millard and her bonding company, Ohio Farmers Insurance Company, are jointly and severally liable in the amount of \$1,460 and in favor of the Cincinnati College Preparatory Academy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-008

Noncompliance

The Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.1 Purchasing/Invoicing (B) (C) states "that before placing a purchase order, each party authorized to place a purchase order should consider whether the material requested may be available elsewhere in the school. In the interests of economy, fairness and efficiency, the Board requires that:

B. Blanket purchase orders will be approved by the Board annually for regular recurring or anticipated expenditures over \$1,000.00

C. Purchases at or below \$100 shall not require a purchase order, particularly those for building supplies or repairs, vehicle fuel, office supplies, food or restaurant meeting expense, sundry items such as pet food, or travel expenses when away from the school. However, these items will be reviewed on monthly statements by designated parties.

Contrary to this requirement, the Academy did not have a valid purchase order executed for 19 out of 20 (95%) expenditures tested, and none were on a blanket purchase order or below \$100. In addition, for 5 out of 20 expenditures tested (25%) a detailed invoice was not provided for audit. Procedures were performed to determine that these disbursements were for proper public purposes.

Additional items were selected based on a scan of the Academy's general ledger. Contrary to this requirement, the Academy did not have a valid purchase order executed for 30 out of 46 (65%) expenditures tested, and none were on a blanket purchase order or below \$100. In addition, for 22 out of 46 expenditures tested (47%) a detailed invoice was not provided for audit.

Failure of the Academy to execute a purchase order prior to making an expenditure could lead to the Academy overspending its' funds and result in negative cash fund balances.

**FINDING NUMBER 2012-008
(Continued)**

We recommend the Academy execute a purchase order prior to making expenditures as required by its policy.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-009

Noncompliance/Material Weakness

Ohio Admin. Code, Section 117-2-02(A), requires public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the financial statements presented for audit:

Statement of Net Assets and Statement of Cash Flows

- The Academy overstated debt balances by \$43,050.
- The Academy understated debt payments by \$242,808.
- The Academy did not make \$374,130 in debt payments according to provided amortization schedules or lease agreements.
- The Academy understated Capital Assets by \$683, 203.
- The Academy understated Accumulated Depreciation by \$192,201.
- The Academy did not provide supporting documentation for amounts reported on the Statement of Cash Flows.
- The Academy did not provide supporting documentation for "Invested in Capital Assets, Net of Related Debt", "Investment in LLC", or Accounts Payable.
- The Academy provided a bank reconciliation for audit that included a \$25,352 deposit in transit as a reconciling item. This amount should not have been considered a reconciling item.
- The Academy's beginning net assets amount of \$2,322,639 does not agree to prior year ending net asset balance of \$2,439,462. The difference is \$116,823.

Notes to the Financial Statements

- The Academy did not present mathematically accurate balances for long-term debt. The difference between the amount in the note and what the re-calculated amount is \$533,745.

**FINDING NUMBER 2012-009
(Continued)**

- The Academy did not disclose 3 loans from Academy officials that were also related party transactions. Lisa K. Hamm, Superintendent, \$25,000; Stephanie Millard, Treasurer, \$20,000; and Glenn Scherzinger, Board Member, \$50,000.
- The Academy did not disclose 4 leases that were in existence during the audit period. The Academy did not disclose accurate capital asset additions in the capital asset note. The difference between the total additions in the note and the recalculated balances of additions is \$130,016.

The Management Discussion and Analysis did not accurately reflect current and prior year balances and transaction amounts and percentage changes; therefore, the Academy's analyses were not meaningful.

Failure to accurately prepare financial statements reduces the accountability over Academy funds, reduces the Board of Directors' ability to monitor financial activity and make informed financial decisions, increases the likelihood that moneys will be misappropriated and detected, and increases the likelihood that the financial statements will be misstated.

We recommend the Academy implement controls to assure the accuracy of the financial statements, debt and capital asset records. We recommend the Board develop effective review procedures over the posting of Academy transactions to the accounting system and subsequent reporting on the financial statements.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

FINDING NUMBER 2012-010

Material Weakness

The Academy prepares contracts for each employee including salaried, hourly, and independent contractors. The contracts include the date the contract is entered into with the employee, the term or school year for which the contract is effective, the beginning date of the contract for payroll purposes, provisions requiring the employee to enroll in STRS or SERS depending on whether they are being employed as a teacher or non-teacher respectively, and the Board approved salary. Contracts are signed by both the employee and the Superintendent. A salary schedule is prepared based on the contracts and submitted to the Board for approval at the beginning of each school year. The Board does not approve the individual contracts only the salary schedule.

We noted the following conditions related to employee contracts and Board-approved salary rates:

- For 7 of 7 (100%) employees, the Academy did not have Board-approved employee contracts on file,
- For 4 of 7 (57%) employees, the Academy did not have a personnel file,
- For 7 of 7 (100%) employees, the Academy did not have employee contracts on file that were signed by the employee or Superintendent

Lack of consistency and oversight over employee contracts increases the risk that employees will be paid the wrong salary.

**FINDING NUMBER 2012-010
 (Continued)**

We recommended that the Board, in addition to the Superintendent, approve employee contracts. The salary schedule should be approved by the Board prior to contracts being entered into with employees.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

Material Weakness – Activities Allowed or Unallowed, Allowable Costs

| | |
|------------------------------------|---|
| Finding Number | 2012-011 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

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

The Academy did not prepare or maintain valid purchase orders for any expenditure made from the Nutrition Cluster or Title I grants indicating approval from the Board, Superintendent or Treasurer for purchases made and charged to federal funds.

Failure to maintain accurate purchase order information could result in inaccurate amounts charged to the grant funds or lead to questioned costs for items purchased from grant funds.

To maintain controls over allowable cost compliance, the Academy should execute a purchase order for each expenditure. These purchase orders should document supervisory approval of expenditures.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness – Schedule of Federal Awards

| | |
|------------------------------------|--|
| Finding Number | 2012-012 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) 84.010 and 84.389 Title I and Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

34 C.F.R. Part 80 states that grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

OMB Circular A-133 Subpart C Section .300 states that the auditee shall:

- a) Identify, in its account all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of Federal agency and name of the pass-through entity.
- b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs
- c) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with OMB Circular A-133.

The Academy's June 30, 2012 Schedule of Receipts and Expenditures of Federal Awards (SEFA) contained the following errors:

| Program | CFDA# | Receipts Reported on SEFA | Actual Receipt Amount | Variance |
|--|--------------|----------------------------------|------------------------------|-----------------|
| Education Jobs | 84.410 | \$13,265 | \$70,568 | \$(57,303) |
| ESEA Title I | 84.010 | 721,152 | 700,723 | 20,429 |
| Improving Teacher Quality | 84.367 | 45,196 | 68,032 | (22,836) |
| Special Education Grants to States (IDEA Part B) | 84.027 | 127,998 | 139,219 | (11,221) |

Failure to accurately report expenditures in the period in which they were expended may result in an inaccurate SEFA.

To reduce the risk of errors and incompleteness of the SEFA due to conflicting information, the Treasurer should compare federal schedule expenditure totals to supporting documentation.

The SEFA included in this report has not been adjusted to properly reflect the correct amounts, CFDA numbers, grant titles and approval.

**FINDING NUMBER 2012-012
 (Continued)**

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness – Cash Management, Reporting

| | |
|------------------------------------|--|
| Finding Number | 2012-013 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

7 CFR 210.8(b), 225.9(d), and 225.15(c)(2) state that to receive reimbursement payments for meals (and milk served under the SMP), a SFA, institution, or sponsor must submit claims for reimbursement to its administering agency. The claiming process is as follows:

(1) *Claiming – General Process*

At a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).

(a) *School Nutrition Programs* – The following types of service may be authorized for schools participating in these programs: breakfast, lunch, afterschool snack (if the school operates an afterschool care program), and milk (under the SMP). A school may be approved for the SMP only if it: (i) does not operate any other Federal Child Nutrition meal service programs; or (ii) operates the NSLP and/or SBP, but makes milk available to children in half-day pre-kindergarten or kindergarten programs who do not have access to the NSLP and SBP. All claims must be supported by accurate meal counts by category and type taken at the point of service or developed through an approved alternative procedure (7 CFR sections 210.7, 210.8, 215.8, 215.10, 220.9, and 220.11).

(b) *SFSPC* – The meals that may be claimed under the program are: breakfast, lunch, supper, and snack. Food service sites other than camps and sites which primarily serve migrant children may claim either: one meal each day (a breakfast, a lunch, a supper, or a snack), or two meals each day if one is a lunch or supper and the other is a breakfast or a snack. Camps or sites which serve meals primarily to migrant children may serve three meals or two meals and one snack (7 CFR sections 225.9(d), 225.15(c), and 225.16).

**FINDING NUMBER 2012-013
 (Continued)**

7 CFR 210.7(c), 210.8(c), and 225.9(d) state that at a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy did not provide:

- Documentation for audit to support the number of reimbursable meals by category and type during the month covered by the claim to audit the cash management compliance.
- CN-6 School Breakfast Daily Worksheets
- CN-7 School Lunch Daily Worksheets

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner. We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for cash management to be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness – Eligibility

| | |
|------------------------------------|--|
| Finding Number | 2012-014 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

**FINDING NUMBER 2012-014
 (Continued)**

7 CFR 245.6a(a) states that each school year, LEAs are required to verify the eligibility of children in a sample of household applications approved for free or reduced price meal benefits. Under the existing regulations, the SFA may verify a sample of randomly selected applications or a sample of focused applications.

The Academy did not provide documentation for audit to support eligibility verification compliance.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy was unable to provide samples of household applications approved for free or reduced price meal benefits subject to verification.

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner.

We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for Eligibility Verification be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness – Eligibility

| | |
|------------------------------------|--|
| Finding Number | 2012-015 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

7 CFR 225.15(f), 245.1(a), and 245.3(c) state that any child enrolled in a participating school or summer camp, or attending a SFSPC meal service site, who meets the applicable program's definition of "child," may receive meals under the applicable program. In the case of the NSLP and SBP, children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or at reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the SFA, for their meals. Children attending SFSPC meal service sites receive their meals at no charge.

**FINDING NUMBER 2012-015
 (Continued)**

The Academy did not provide documentation for audit to support eligibility compliance.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy was unable to provide free and reduced price meal applications.

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner.

We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for Eligibility be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance – Procurement, Suspension, and Debarment

| | |
|------------------------------------|--|
| Finding Number | 2012-016 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

2 C.F.R. 215.43 requires that all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offer or whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offer or shall fulfill in order for the bid or offer to be evaluated by the recipient. Any and all bids or offers may be rejected when it is in the recipient's interest to do so.

**FINDING NUMBER 2012-016
(Continued)**

Furthermore, based on the **Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.8 Federal Grants Procurement, Monitoring and Administration**, the Academy is required to follow certain policies when the Academy expends federal grant funds to purchase property or obtain services. These policies include:

- "A. Competition. To the extent required by law, the Academy shall use procurement methods that provide for full, free, and open competition and comply with the federal procurement regulations. The Academy shall award the contract to the party whose bid or proposal, after considering all appropriate facts, is most advantageous to the Academy if the Academy solicits bids or competitive proposals to secure property or services.
- B. Procurement Procedures. To the extent required by law:
- . . . 4. The Academy shall ensure that its solicitations for goods and services contain the descriptions and provide the other information required under the applicable federal regulations. . .
- . . . 6. The Academy shall create and maintain records that document the procurement process that the Academy followed in each procurement transaction, including the rationale for utilizing the selected procurement method, the basis for awarding the contract, the justification for lack of competition if competitive bids or offers are not sought and the basis for award cost or price . . .
- . . 7. The Academy shall make its procurement records available for review by the appropriate federal officials. . .
- C. Contract Provisions. Procurement contracts shall, at minimum, include the terms and conditions that are required by the applicable federal procurement regulations. To the extent required by law, the Academy shall require that the person awarded a contract satisfy the bonding requirements set forth in the applicable federal regulations."

Effective September 2, 2011, the Academy entered into a contract with Dad's Catering Service for breakfast and lunch for the period of September 6, 2011 to May 18, 2012. The Board did not approve the contract in the minutes and there was no evidence that full, free and open competition took place.

Failure to ensure that a full, free and open competition takes place and that the Academy meets all bidding requirements could lead to the Academy expending unnecessary monies for services that could be performed at a lower cost to the Academy and still meet the Academy's expectations.

We recommend that the Academy consult with their legal counsel to review the requirements of 2 C.F.R. 215.43. In addition, the Academy should review all solicited bids and award bids in accordance with the Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.8 Federal Grants Procurement, Monitoring and Administration.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance – Procurement, Suspension and Debarment

| | |
|------------------------------------|--|
| Finding Number | 2012-017 |
| CFDA Title and Number | 10.553 School Breakfast Program (SBP) 10.555 National School Lunch Program (NSLP) |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

2 CFR 180.300 states that when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Effective September 2, 2011, the Academy entered into a contract with Dad's Catering Service for breakfast and lunch for the period of September 6, 2011 to May 18, 2012. The Academy did not have evidence that the Excluded Parties List System was checked, a certification from the entity was obtained or adding a clause or condition to the covered transaction was completed.

On August 25, 2011, the Academy purchased \$25,823 of instructional supplies and materials from Triumph Learning. The Academy did not have evidence that the Excluded Parties List System was checked, a certification from the entity was obtained or adding a clause or condition to the covered transaction was completed.

Failure to check the EPLS, collect a certification from the entity or add a clause or condition to the covered transaction could lead to the Academy entering into a covered transaction with an entity that is suspended or debarred or otherwise excluded.

We recommend that the Academy consult with its legal counsel to review the requirements of 2 C.F.R. 180.300.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed, Allowable Costs

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2012-018 |
| CFDA Title and Number | 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

2 C.F.R. 225 Appendix B Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

2 C.F.R. 225 Appendix A Section (E) sets the guidelines for determining if a direct cost is considered to be allowable per the federal program. These guidelines state:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
 - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
 - c. Equipment and other approved capital expenditures.
 - d. Travel expenses incurred specifically to carry out the award.

The Academy is required to identify all expenditures that are specifically for the performance of Title I services and determine if the expenditure is allowable per 2 C.F.R. 225 Appendix A before expending money from Title I funds. Failure to properly identify allowable costs to the Title I federal program may lead to monies having to be repaid.

The total unallowable costs paid from the Title I fund are broken down by category in the following table:

| Fund | Category | Amount |
|-------------|--|-------------------|
| 572 | Nursing Services & School Health | \$ 50,972 |
| 572 | Foreclosure Listing Service | 44 |
| 572 | Payroll for which no supporting documentation was provided | 765,723 |
| | Total | \$ 816,739 |

**FINDING NUMBER 2012-018
 (Continued)**

Because the costs described above are evidence that unallowable costs have occurred, we are questioning expenses totaling \$816,739 paid from the Title I grant. Failure to comply with grant requirements could result in future questioned costs and potential loss of federal financial assistance.

Additionally, we noted that for 6 of 6 (100%) of items tested there were no purchase orders indicating supervisory approval of expenditures. We recommend the Academy follow 2 C.F.R. 225 Appendix A and B to determine which expenditures are considered to be allowable to be used from federal funds. By following 2 C.F.R. 225 Appendix A and B, the Academy can ensure federal funds are being expended properly and reduce the possibility of the Academy having to return federal funds or having federal funds withheld in future years.

To maintain controls over allowable cost compliance, the Academy should execute purchase orders for each expenditure. These purchase orders should document supervisory approval of expenditures.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance – Reporting

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2012-019 |
| CFDA Title and Number | 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

34 CFR 80.30 and **ODE Final Expenditure Report Instructions** state that an entity may expend up to 10% more than approved in the budget for an object code total without submitting a budget revision (e.g., the total amount approved for salaries, object code 100, is \$1,000 – entities may spend up to \$1,100). This authority does not permit unauthorized expenditures.

The Academy expended \$29,791 for Purchased Services for Title I (object code 400) which exceeded the CCIP Budget Allocation of \$11,300 by \$18,491 which is more than 10% without submitting a budget revision.

We recommend that the Academy periodically review grant activity and amend the budget when necessary.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance – Special Tests and Provisions: Highly Qualified Teachers and Paraprofessionals

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2012-020 |
| CFDA Title and Number | 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

34 CFR 200.55(a) states that newly hired teachers in Title I programs (1) An LEA must ensure that all teachers hired after the first day of the 2002-2003 school year who teach core academic subjects in a program supported with funds under subpart A of this part are highly qualified as defined in 34 CFR 200.56. (2) For the purposes of paragraph (a)(1) of this section, a teacher teaching in a program supported with funds under subpart A of this part is (ii) A teacher in a schoolwide program school.

Furthermore **34 CFR 200.56** Definition of "highly qualified teacher" states that a teacher described in 34 CFR 200.55(a) and (b)(1) is a "highly qualified teacher" if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

The Academy did not provide documentation for audit to support highly qualified teachers and paraprofessionals compliance.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy did not provide documentation for audit to support highly qualified teachers and paraprofessionals compliance.

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner. .

We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for Highly Qualified Teachers and Paraprofessional be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance – Program Income

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2012-021 |
| CFDA Title and Number | 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

2 C.F.R. 215.24(a) states that Federal awarding agencies shall apply the standards set forth in this section in requiring recipient organizations to account for program income related to projects financed in whole or in part with Federal funds:

- “(b) Except as provided in paragraph (h) of this section, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.
- (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.
 - (2) Used to finance the non-Federal share of the project or program.
 - (3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.
- (c) When an agency authorizes the disposition of program income as de-scribed in paragraphs (b)(1) or (b)(2) of this section, program income in excess of any limits stipulated shall be used in accordance with paragraph (b)(3) of this section.
- (d) In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, paragraph (b)(3) of this section shall apply automatically to all projects or programs except re- search. For awards that support re- search, paragraph (b)(1) of this section shall apply automatically unless the awarding agency indicates in the terms and conditions another alternative on the award or the recipient is subject to special award conditions, as indicated in § 215.14.
- (e) Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the Federal Government regarding pro- gram income earned after the end of the project period.
- (f) If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.
- (g) Proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards (see § 215.30 through § 215.37).

**FINDING NUMBER 2012-021
 (Continued)**

(h) Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

The Academy did not provide documentation for audit to support program income compliance.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy did not provide documentation to verify that program income was recorded in the accounting records or that program income was used in accordance with program requirements, the A-102 Common Rule, and the OMB Circular A-110.

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner.

We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for Program Income be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

Noncompliance/Material Weakness – Maintenance of Effort

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2012-022 |
| CFDA Title and Number | 84.010 Title I 84.389 Title I ARRA |
| Federal Award Number / Year | 2012 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

**FINDING NUMBER 2012-022
(Continued)**

34 CFR 299.5 (D)(a) states that an LEA receiving funds under an applicable program may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

ODE Fiscal Year 2012 Education Management Information System (EMIS) Manual, Chapters 1, 2, 4, and Appendix I require LEAs to report the annual average daily membership per student for Period N (Yearend).

ODE Fiscal Year 2012 Reporting School District Revenue and Spending Per Pupil Handbook (aka: Expenditure Flow Model Handbook) requires LEAs to report District- and Building-level financial data for aggregate "general expenditures" using the Expenditure Flow Model for Period H.

The Academy did not provide documentation for audit to support the annual average daily membership per student for Period N or District and Building-level financial data for aggregate "general expenditures" using the Expenditure Flow Model for Period H required to audit the fiscal effort per student.

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 any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Academy was unable to provide:

- EMIS Year-end Period N Reports - District-Level count by grade level, Building-Level count by grade level, SSID-Level count
- EMIS Period H Reports - Expenditure Flow Model, Building Expenditures Report, Expenditure per Pupil Report, Percentage of School Cost Report, Inclusion Report, Summary Exclusion Report

Failure to maintain the required supporting documentation records could result in errors, irregularities, or misappropriation of funds that are not detected in a timely manner.

We recommend that the records of the Academy be maintained in accordance with Ohio Revised Code Section 149.43 and the Academy public records policy and supporting documentation for Maintenance of Effort be maintained and provided for audit.

Officials' Response:

The new financial leadership team for the School started in fiscal year 2014 and is implementing policies and procedures that will address these findings.

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2011-001 | Finding for Recovery – Improper Payments | No | Not Corrected - Payments not made to Academy |
| 2011-002 | Finding for Recovery – Improper Payments | No | Not Corrected - Payments not made to Academy |
| 2011-003 | Finding for Recovery – Improper Payments | No | Not Corrected - Payments not made to Academy |
| 2011-004 | Significant Deficiency – Leave Policy | Yes | |
| 2011-005 | Material Weakness – Employee Contracts | No | Not Corrected - Reissued as Finding 2012-010 |
| 2011-006 | Noncompliance – Blanket Purchase Orders Not Used | No | Not Corrected - Reissued as Finding 2012-008 |
| 2011-007 | Noncompliance/Material Weakness – Accuracy of Financial Statements | No | Not Corrected - Reissued as Finding 2012-009 |
| 2011-008 | Noncompliance – Filing IRS Form 990 | Yes | |
| 2011-009 | Noncompliance – Related Party Transaction | Yes | |
| 2011-010 | Material Weakness – Activities Allowed or Unallowed, Allowable Costs, Title I | No | Not Corrected - Reissued as Finding 2012-011 |
| 2011-011 | Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed, Education Jobs | Yes | |
| 2011-012 | Noncompliance/Material Weakness – Schedule of Federal Awards | No | Not Corrected - Reissued as Finding 2012-012 |
| 2011-013 | Noncompliance/Material Weakness – Maintenance of Effort, Title I | No | Not Corrected - Reissued as Finding 2012-022 |

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Cincinnati College Preparatory Academy (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated January 29, 2014, we noted the Board adopted an anti-harassment policy on February 20, 2008. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the February 20, 2008 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.

- (1) Incorporating dating violence into its existing policy prohibiting student harassment, intimidation, or bullying;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and School's sponsor 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

March 9, 2015

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|--|---|-----------------------------|----------------------------|
| 2011-011 2011-012 2011-013 2011-014 2011-015 2011-016 2011-017 2011-018 2011-019 2011-020 2011-021 2011-022 | A new treasurer was hired in FY14 to oversee the financial side of the Federal Funds. | 7/1/14 | Doug Mangen |

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CINCINNATI COLLEGE PREPARATORY ACADEMY

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 7, 2015**