



Dave Yost • Auditor of State



**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Richard Allen Academy II Community School  
Montgomery County  
368 South Patterson Boulevard  
Dayton, Ohio 45402

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Richard Allen Academy II Community School, Montgomery County, Ohio (the School), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Richard Allen Academy II Community School, Montgomery County as of June 30, 2014, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the July 1, 2013 net position was restated. We did not modify our opinion regarding these matters.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 5, 2015

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**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Our discussion and analysis of Richard Allen Academy II Community School (the School) financial performance provides an overall review of the Schools' financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

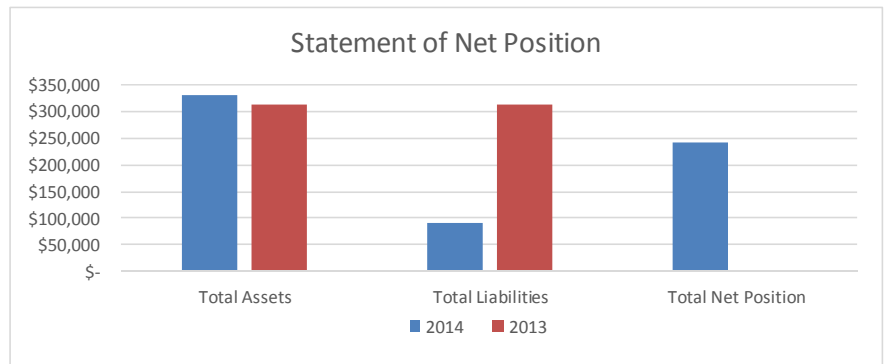
- Total net position increased \$ \$239,699 from 2013.
- Total liabilities decreased \$221,679, or 71.07%, while total assets increased \$18,020, or 5.76% from 2013.
- Total revenue decreased from \$4,057,055 in fiscal year 2013 to \$ 3,569,124 in fiscal year 2014, a 12% decrease FROM 2013.
- Total expenses decreased from \$ 3,967,736 in fiscal year 2013 to \$ 3,329,425 in fiscal year 2014, a 16% decrease from 2013.

**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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and changes in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.



The School uses enterprise presentation for all of its activities.

**Statement of Net Position**

The Statement of Net Position answers the question of how the School did financially during 2014. 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.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

Table 1 provides a summary of the School's Net Position as of June 30, 2014 compared to the prior year.

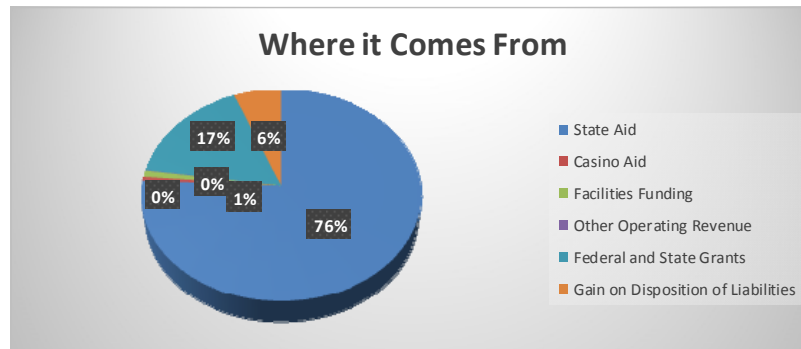
**(Table 1)  
Statement of Net Position**

	<b>2014</b>	<b>2013 Restated</b>
<b>Assets:</b>		
Current Assets	\$331,003	\$300,756
Non-Current Assets		12,227
Total Assets	<u>331,003</u>	<u>312,983</u>
<b>Liabilities:</b>		
Current Liabilities	90,219	311,898
<b>Net Position:</b>		
Net Investment in Capital Assets		12,227
Unrestricted	240,784	(11,142)
Total Net Position	<u>\$240,784</u>	<u>\$1,085</u>

**Statement of Revenues, Expenses and Changes in Net Position**

Table 2 shows the changes in Net Position for fiscal year 2014, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the school as a whole, the financial position of the school has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Total assets increased in 2014 by \$ \$18,020 due to increased receivables. Liabilities decreased by \$221,679 and Net Position increased \$239,699 in 2014. Liabilities decreased primarily due to the write off of contractual payable due to Richard Allen Academy and Richard Allen Preparatory Academy.



**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

Table 2 shows change in Net Position for fiscal year 2014 compared with fiscal year 2013.

**(Table 2)  
Change in Net Position**

	<b>2014</b>	<b>2013 Restated</b>
<b>Operating Revenue:</b>		
State Aid	\$2,703,654	\$3,189,473
Casino Aid	21,189	9,734
Facilities Funding	34,553	
Other Operating Revenue	2,205	24,106
<b>Non-Operating Revenue:</b>		
Federal and State Grants	595,846	833,742
Gain on Disposition of Liabilities	211,677	
Total Revenues	<u>3,569,124</u>	<u>\$4,057,055</u>
<b>Operating Expenses:</b>		
Purchased Services	3,165,169	3,821,082
Sponsorship Fees	81,407	95,684
Legal	20,947	11,457
Auditing and Accounting	42,809	27,462
Board of Education	6,613	9,456
Depreciation	12,227	1,595
Miscellaneous	253	1,000
Total Expenses	<u>3,329,425</u>	<u>3,967,736</u>
Change in Net Position	<u>\$239,699</u>	<u>\$89,319</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up 92% of all revenues for the School in fiscal year 2014. Revenues decreased due to the reduced foundation and entitlement funds.

***Budgeting Highlights***

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecasts are also submitted to the Sponsor and the Ohio Department of Education.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2014, the School's capital assets were fully depreciated (see note 4).

**Debt**

At June 30, 2014, the School had \$12,500 in notes payable. See Note 15.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)  
(Continued)**

**Current Financial Related Activities**

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the school is at 326 students as of November 2014. But, future revenue increases are cautious due to Ohio's weak economic recovery.

**Contacting the School's Financial Management**

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, CFO, Richard Allen Academy II Community School, 368 South Patterson Boulevard Dayton, Ohio 45402.



**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
STATEMENT OF NET POSITION  
JUNE 30, 2014**

**Assets:**

Current Assets	
Cash and Cash Equivalents	\$ 2,080
Accounts Receivable-IMR	274,021
Intergovernmental Receivable	45,946
Security Deposit	8,956
Total Assets	<u>331,003</u>

**Liabilities:**

**Current Liabilities:**

Accounts Payable-Vendor	32,265
Accounts Payable-IMR	45,454
Notes Payable	12,500
Total Liabilities	<u>90,219</u>

Net Position

Unrestricted	240,784
Total Net Position	<u>\$240,784</u>

*See accompanying notes to the basic financial statements.*

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>Operating Revenues:</b>	
State Foundation	\$2,703,654
Casino Aid	21,189
Facilities Funding	34,553
Other Operating	2,205
Total Operating Revenues	2,761,601
 <b>Operating Expenses:</b>	
Purchased Services	3,165,169
Sponsorship Fees	81,407
Legal	20,947
Auditing and Accounting	42,809
Board of Education	6,613
Depreciation	12,227
Miscellaneous	253
Total Operating Expenses	3,329,425
Operating Loss	(567,824)
 <b>Non-Operating Revenue/(Expenses):</b>	
Federal and State Grants	595,846
Gain on Disposition of Liabilities	211,677
Total Non-Operating Revenue/(Expenses)	807,523
Change in Net Position	239,699
Net Position Beginning of Year (Restated)	1,085
Net Position End of Year	\$240,784

*See accompanying notes to the basic financial statements.*

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Increase (Decrease) In Cash And Cash Equivalents**

**Cash Flows From Operating Activities:**

Cash Received from State of Ohio	\$2,759,396
Cash Received from Other Operating Activities	2,205
Cash Payments to Suppliers for Goods and Services	(3,350,780)
Net Cash Used For Operating Activities	<u>(589,179)</u>

**Cash Flows From Noncapital Financing Activities:**

Cash Received from Federal and State Grants	589,082
Net Cash Provided by Noncapital Financing Activities	<u>589,082</u>
Net Increase in Cash and Cash Equivalents	(97)

Cash and Cash Equivalents Beginning of Year	2,177
Cash and Cash Equivalents End of Year	<u><u>\$2,080</u></u>

**Reconciliation Of Operating Loss To Net**

**Cash Used For Operating Activities:**

Operating Loss	(\$567,824)
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**Adjustments To Reconcile Operating Loss To Net**

**Cash Used For Operating Activities**

Depreciation	12,227
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**Changes in Assets and Liabilities:**

Accounts Receivable	(1,167)
Intergovernmental Receivable	(22,413)
Accounts Payable	2,920
Contractual Payable	(3,000)
Intergovernmental Payable	(9,922)

Net Cash Used For Operating Activities	<u><u>(\$589,179)</u></u>
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**Non-cash Transaction:**

During fiscal year 2014, the School wrote off \$211,677 in contractual payables due to Richard Allen Academy Community School and Richard Allen Preparatory Academy Community School. The write-off has been reported as gain on disposition of liabilities on the statement of revenues, expenses and changes in net position.

*See accompanying notes to the basic financial statements.*

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**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. DESCRIPTION OF THE ENTITY**

Richard Allen Academy II Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contract with the Institute of Management and Resources, Inc. (IMR) for a variety of services including management consulting, Education Management Information System (EMIS), monitoring and consulting, technology and operational support, teacher training, supervision of certified and non-certified personnel and assistance in grant applications, any other services requested by the School. In addition, all employees of the School are IMR employees and are subsequently contracted to the School. (See note 10 for additional detail on the contractual relationship between IMR and the School).

The School entered into a Sponsor Contract with the Ohio Department of Education on June 30, 2012 for a two year period with the term ending June 30, 2014 (See note 17).

The School operates under a self-appointing ten-member Board. The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School's enrollment of 454.37 FTE students for fiscal year 2014 represents a decrease of 78.79 from the prior year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Basis of Presentation**

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in Net Position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

**B. Measurement Focus/Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Position.

The Statement of Revenues, Expenses and Changes in Net Position present increases (e.g., revenues) and decreases (e.g., expenses) in total Net Position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus/Basis of Accounting (Continued)**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

**C. 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 School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the School must submit a five-year forecast to its Sponsor annually.

**D. Cash and Cash Equivalents**

All monies received by the School are maintained in a demand deposit account. The School did not have any investments during fiscal year 2014.

**E. Capital Assets and Depreciation**

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 value as of the date received. The School maintains a capitalization threshold of \$1,000. The School does not have 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 the asset's life are expensed.

Depreciation is computed using the straight-line method over estimated useful lives of five years for leasehold improvements and vehicles, and five to seven years for computer and equipment. Improvements to capital assets are depreciated over the remaining useful lives of the related fixed assets.

**F. Intergovernmental Revenues**

The School currently participates in the state poverty based assistance programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2014 school year totaled \$3,299,500.

**G. Accrued Liabilities Payable**

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2014.

**H. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**I. Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School's Board or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available. The School did not have any restricted Net Position.

**J. Operating and Non-Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**3. CASH AND CASH EQUIVALENTS**

The following information classifies deposits by category of risk as defined in GASB Statement No.3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," as amended by GASB Statement No.40, "Deposit and Investment Risk Disclosures".

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2014, the book amount of the School's deposits was \$2,080 and the bank balance was \$2,365.

The entire bank balance was covered by FDIC and therefore not considered to the subject to custodial credit risk. The School had no investments at June 30, 2014.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**4. CAPITAL ASSETS**

A summary of the School's capital assets at June 30, 2014, follows:

	<b>Balance 6/30/2013</b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance 6/30/2014</b>
<b>Capital Assets Being Depreciated:</b>				
Leasehold Improvements	\$339,078			\$ 339,078
Computers & Equipment	149,361			149,361
Vehicles	111,100			111,100
Total Capital Assets Being Depreciated	<u>599,539</u>			<u>599,539</u>
Less Accumulated Depreciation	<u>(587,312)</u>	<u>(\$12,227)</u>		<u>(599,539)</u>
Total Capital Assets Being Depreciated Net	<u>\$12,227</u>	<u>\$(12,227)</u>	<u>\$0</u>	<u>\$0</u>

**5. RECEIVABLES**

At June 30, 2014, the School had receivables in the amount of \$274,021 which are amounts due from IMR. In addition, the school is due monies from ODE in the amount of \$21,747 for intergovernmental receivables. Intergovernmental receivables consist of federal assistance (CCIP) which eligibility requirements have been met (earned) at June 30, 2014, but the cash was not received by year end. The remaining \$24,199 of intergovernmental receivables is amounts due from SERS and STRS for overpayments made during fiscal year 2014.

**6. ACCOUNTS PAYABLE**

At June 30, 2014, the school had accounts payable totaling \$77,719. \$45,454 is due to IMR and \$32,265 is due various vendors during the normal course of conducting operations.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2014, the School contracted with WRM American and Cincinnati Specialty Underwriters for business personal property, director and officer liability and general liability insurance. General liability coverage provides \$1,000,000 per occurrence and \$3,000,000 in the aggregate with no deductible. The WRM America also provides umbrella liability coverage of \$5,000,000 per occurrence, as well as, in the aggregate.

Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

**B. Employee Insurance Benefits**

As part of the management agreement with the IMR (see note 10), insurance benefits are paid by the Institute.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Financial-Report.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the school is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School contributions to SERS for the year ended June 30, 2014, 2013 and 2012 were \$40,358, \$43,821, and \$21,291, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

**Plan Description** – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is 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, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

A DB or Combined Plan member with five or more years credited service that 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.

**Funding Policy** - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$265,675, \$316,749, and \$211,867, respectively, of which 100% has been contributed.

**9. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement Systems**

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

**Medicare Part B**

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$99.90; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2013, the actuarial required allocation is .76 percent. The School's contributions for the years ended June 30, 2014, 2013 and 2012 were \$2,341, \$2,475, and \$1,257, respectively.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2014, 2013 and 2012 were \$431, \$535, and \$922, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website [www.ohsers.org](http://www.ohsers.org) under Employers/Financial-Reports.

**B. State Teachers Retirement System**

**Plan Description** – The School contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$20,437, \$24,365, and \$16,297 and, respectively all of which has been contributed for all fiscal years.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**10. MANAGEMENT COMPANY AGREEMENTS**

On September 1, 2006, the School entered into an agreement with the Institute of management and Resources, Inc. (IMR), a non-profit corporation, to provide management services. The agreement with IMR is through June 30, 2015.

The Management Agreement provides that IMR will perform functions reasonably required to manage the operation of the School; ensure students receive services which are in accordance with applicable educational standards; make every effort to ensure the School complies with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction; acquire all necessary licenses and permits; maintain all student and financial records required by federal, state and local laws and regulations, as well as protecting the confidentiality of those records; act as the School's agent in making deposits and disbursements promptly; provide for all expenses of operating the School, including lease payments for the school building, equipment and operating supplies needed in the operation of the School, from its management fee. IMR is responsible for hiring qualified teachers and all other employees which are subsequently contracted to operate the School.

IMR receives a monthly management fee of 10 percent of total revenues of the School from all sources after deductions of STRS, SERS and audit adjustments. Another 87 percent of operating revenues covers expenses incurred on behalf of the School in order to provide district-wide services. These expenses include but are not limited to district-wide management services provided by IMR employees in the area of instruction, transportation, financial and general business management and development as well as district-wide purchase of text books and supplies.

In October 2013, the school has entered into a new management agreement with IMR. The terms of the new agreement calls for the payment of 94% of all state aid and 100% of federal grants. The Board has also hired its own Treasurer to oversee payments to IMR and to assist it with financial oversight. The table on the next page shows the management company expenses for fiscal year 2014.

<b>Direct:</b>	
Salary and Wages	\$1,334,222
Benefits	19,542
Food Service	18,938
Health Insurance	129,716
Property and Casualty Insurance, Workers Compensation	43,313
Professional and Legal Services	160
Purchased Services	149,639
Repairs and Maintenance	17,643
Supplies/ Postage/ Printing	3,483
Telephone/Networking	8,561
Utility	102,380
<b>Indirect:</b>	
Overhead	446,386
Total Expenses	<u><u>\$2,273,983</u></u>

The administration expenses incurred by IMR are allocated to the four different Richard Allen Schools under its control. These expenses are allocated to the individual school based on the student enrollment at each school to the total enrollment of all the schools.



**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**11. PURCHASED SERVICES**

For the period July 1, 2013 through June 30, 2014, purchased service expenses were for the following services:

Management Services	\$2,812,849
Certified Retirement	304,948
Non-Certified Retirement	<u>47,372</u>
Total	<u>\$3,165,169</u>

**12. TAX EXEMPT STATUS**

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status. 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.

**13. PENDING LITIGATION**

On October 18, 2012, the Institute of Management and Resources, Inc. ("IMR"), the management company of the School, filed a complaint for declaratory judgment and injunctive relief against the School, as well as the Auditor of State and Attorney General regarding findings for recovery issued by the Auditor in favor of the School.

*Institute of Management and Resources, Inc. v. Dave Yost, et al.*  
Montgomery County, Ohio Court of Common Pleas: Case No. 2012 CV 07494

Both IMR and the School dispute the Auditor's interpretation of the contract and have attempted to resolve the matter amicably with both the Auditor and the Attorney General, who is tasked with enforcing findings for recovery. The parties unsuccessful in resolving the dispute. Accordingly, IMR has filed this action pursuant to R.C. 9.24, challenging the Auditor's interpretation of the management contract and enjoining the Attorney General from enforcing the finding. Because the Auditor and Attorney General are acting on behalf of the School statutorily, the School is an indispensable party to the litigation. The outcome of this case will have a material impact on the financial statements of the School, the exact amount of which is not know at this time.

**14. RELATED PARTY TRANSACTIONS**

The Governing Board, of Richard Allen Academy II Community School served in the same capacity for the Richard Allen Preparatory, Richard Allen Academy I, and Richard Allen Academy III Community Schools for the fiscal year 2014, all of which are managed by the Institute of Management and Resources, Inc (IMR). Total compensation to Board members was \$4,800. Richard Allen Academy Community School shares its Superintendent and the Treasurer/CFO with the other three Richard Allen Schools named above. The Superintendent is also the corporate Secretary for IMR. The Treasurer/CFO is not an employee of IMR (nor has no other affiliation with IMR) and has a separate contract with the Board.

The School pays IMR a management fee of ninety-four percent (94%) of the state revenue of the School. The School pays IMR another one hundred percent (100%) of grant receipts. See Note 10. The School has a note payable due to IMR. (See Note 15).

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014  
(Continued)**

**15. NOTES PAYABLE**

At June 30, 2014, the School had outstanding notes payable to IMR of \$12,500. These notes were originally required to be repaid from operating revenue by December 31, 2011, unless extended by the two parties. The repayment of the notes has subsequently been extended until payment is required by IMR. The loans do not contain any provision for interest. A summary of School's short term debt obligations for the year are as follows:

<b>Note Payable</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Operating Loan - IMR	\$ 12,500	-	-	\$ 12,500

**16. CONTINGENCIES**

**A. Grants**

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2014.

**B. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. The FTE calculation concluded that the School was overpaid \$4,928.

**17. SPONSOR**

On July 1, 2012, the School entered into a two-year Sponsorship contract with the Ohio Department of Education (ODE) in return for three percent (3%) of all funds received by the School from the State of Ohio foundation payments. Sponsor fee expense at June 30, 2014 totaled \$81,407.

**18. PRIOR PERIOD ADJUSTMENT**

The School adjusted beginning net position to properly report accounts receivable – IMR and intergovernmental payable.

June 30, 2013 Net Position	\$22,071
Adjust Accounts Receivable - IMR	(11,064)
Adjust 2013 Intergovernmental Payable	<u>(9,922)</u>
Restated Balance	<u>\$1,085</u>

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Grant Award Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555		\$19,155		\$19,155
Cash Assistance:						
School Breakfast Program	2014	10.553	\$42,062		\$42,062	
National School Lunch Program	2014	10.555	156,352		156,352	
Total Child Nutrition Cluster			<u>198,414</u>	<u>19,155</u>	<u>198,414</u>	<u>19,155</u>
Fresh Fruit & Vegetable Program	2014	10.582	10,835		10,835	
Total U.S. Department of Agriculture			<u>209,249</u>	<u>19,155</u>	<u>209,249</u>	<u>19,155</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education - Grants to States	2013	84.027	63		0	
	2014	84.027	79,349		82,137	
Total Special Education - Grants to States			<u>79,412</u>	<u>0</u>	<u>82,137</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2013	84.010			10,780	
	2014	84.010	254,187		217,557	
Total Title I Grants to Local Educational Agencies			<u>254,187</u>	<u>0</u>	<u>228,337</u>	<u>0</u>
Improving Teacher Quality State Grants	2013	84.367	2,602			
	2014	84.367	3,250		3,250	
Total Improving Teacher Quality State Grants			<u>5,852</u>	<u>0</u>	<u>3,250</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund (SFSF)	2013	84.395	10,687		0	
Race to the Top Incentive Grants	2014	84.395	1,001		0	
	2014	84.395	0		959	
	2014	84.395	23,902		23,902	
Total ARRA - State Fiscal Stabilization Fund (SFSF)						
Race to the Top Incentive Grants			35,590	0	24,861	0
Total U.S. Department of Education			<u>375,041</u>	<u>0</u>	<u>338,585</u>	<u>0</u>
Total Federal Awards			<u>\$584,290</u>	<u>\$19,155</u>	<u>\$547,834</u>	<u>\$19,155</u>

*The accompanying notes are an integral part of this schedule.*

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Richard Allen Academy II Community School (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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



# Dave Yost • Auditor of State

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

Richard Allen Academy II Community School  
Montgomery County  
368 South Patterson Boulevard  
Dayton, Ohio 45402

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Richard Allen Academy II Community School, Montgomery County, (the School) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the School's basic financial statements and have issued our report thereon dated June 5, 2015 wherein we noted that the School's July 1, 2013 net position was restated.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-002 and 2013-003 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 School'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, opining 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 2014-001 through 2014-003.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402  
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

[www.ohioauditor.gov](http://www.ohioauditor.gov)

***Schools Response to Findings***

The School'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 School's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 5, 2015



# Dave Yost • Auditor of State

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

Richard Allen Academy II Community School  
Montgomery County  
368 South Patterson Boulevard  
Dayton, Ohio 45402

To the Governing Board:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Richard Allen Academy II Community School's (the School) compliance with the applicable 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 Richard Allen Academy II Community School's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the School's major federal programs.

### ***Management's Responsibility***

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the School's compliance for each of the School's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School's major programs. However, our audit does not provide a legal determination of the School's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies***

As described in Findings 2014-004 through 2014-011 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2014-004	10.553 & 10.555	Child Nutrition Cluster	Allowable Cost/ Cost Principles ;
2014-005	10.553 & 10.555	Child Nutrition Cluster	Special Tests & Provisions – School Food Accounts
2014-006	10.553 & 10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Reporting
2014-007	10.553 & 10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Procurement Suspension and Debarment
2014-008	84.010	Title I Grants to Local Educational Agencies	Allowable Costs/ Cost Principles
2014-009	84.010	Title I Grants to Local Educational Agencies	Cash Management, Period of Availability and Reporting
2014-010	84.010	Title I Grants to Local Educational Agencies	Matching, Level of Effort and Earmarking
2014-011	84.010	Title I Grants to Local Educational Agencies	Special Tests & Provisions Highly Qualified Teachers and Paraprofessionals

Compliance with these requirements is necessary, in our opinion, for the School to comply with the requirements applicable to these programs.

***Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster and Title I Grants to Local Educational Agencies* paragraph, the Richard Allen Academy II Community School complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster and Title I Grants to Local Educational Agencies* for the fiscal year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as item 2014-012. This finding did not require us to modify our compliance opinion on each major federal program.

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



***Report on Internal Control over Compliance***

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School'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 material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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's applicable 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's compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-004 through 2014-012 to be material weaknesses.

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 5, 2015

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**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

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

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

**FINDING NUMBER 2014-001**

**NONCOMPLIANCE**

**Ohio Rev. Code §2921.42 (A)**, states in part, states that no public official shall knowingly do any of the following:

- (1) Authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest;
- (4) Have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected;

During fiscal year 2014, Michelle Thomas served as Secretary of Institute of Management and Resources, Inc (the Management Company) and as Superintendent of the School. The School electronically transferred \$1,234,438 to the Management Company during fiscal year 2014.

The School's administration and the Management Company were comingled and there were instances where the Management Company benefitted at the expense of the School. The arrangement between the Management Company and the School is also in violation of Ohio Rev. Code §2921.42 as the management at the School has an interest in the affairs of the Management Company.

The School should take appropriate steps to verify that its management is independent of the Management Company and policies and procedures are in place to detect and appropriately address any conflict of interest. Failure to do so could result in the School entering into contracts that might not be in the best interest of the School or the attending students.

**Official's Response:**

See page 47

**FINDING NUMBER 2014-002**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Section 10. Fees a. Continuing Fee of the Management Company agreement** states that out of the School's Total State Aid received per the Ohio Department of Education (ODE), the Governing Authority shall pay a monthly management and operation fee (the Continuing Fee) to the Institute of Management and Resources (the EMO) as follows: The EMO shall receive ninety-four percent (94%) of the Total State Aid received by the Governing Authority for the entire time period of this Agreement. The remaining six percent (6%) of Total State Aid shall be retained by the Governing Authority.

Additionally, **Section b. Payment of Costs (1)** states that except as provided in division (b)(2) of this Section, all costs incurred in providing the necessary educational services, lease of school facility, and EMO fees (Operational expenses) shall be paid from the Continuing Fee. Operational fees shall include, but shall not be limited to, compensation of all personnel, curriculum materials, textbooks, library books, computer and other equipment (excluding Governing Authority-titled equipment), software, supplies, building payments, maintenance, and capital improvements required in providing the necessary services

**FINDING NUMBER 2014-002  
(Continued)**

Employer contributions to State Teachers Retirement System were automatically deducted from the State Foundation receipts each month. At fiscal year end, the total of payments made as part of foundation deductions exceeded the amount due to the retirement system by \$20,002 based on actual wages thus resulting in a credit balance. The credit balance of \$19,439 out of total overpayment of \$20,002 was not posted to the accounting system. As 94% of all state receipts were due to the Management Company, the resulting account payable to the Management Company of \$18,273 was also not recorded. Audit Adjustments were made to properly present the intergovernmental receivable and corresponding payable due to the Management Company.

Additionally, employer contributions to School Employees Retirement System (SERS) were automatically deducted from the State Foundation receipts each month. At fiscal year end, the total of payments made as part of foundation deductions exceeded the amount due to the retirement system by \$4,242 based on actual wages, thus resulting in a credit balance. As 94% of all state receipts are due to the Management Company, the resulting account payable to the Management Company of \$3,987 was not recorded. Additionally, the School elected to apply the overpayment of employer contributions against the \$2,132 balance owed for employee contributions instead of receiving a refund back from SERS. The employees' share of the retirement contributions was the Management Company's responsibility. By electing to apply SERS credit to employee contributions, the School ended up paying the employee contributions. The misstatement to the financial statement was determined to be immaterial and no adjustments were made to properly present the payable due to the management company on the accompanying financial statements.

In order for the School to receive its fair share of State receipts, the Management Company should submit employee contributions directly to SERS or the Management Company should refund the School its share of the state receipts that were applied towards employee portion of SERS liability. Failure to do so could result in over payments to the Management Company and potential findings for recovery in future audits.

In addition, the School should account for all receivables due from overpayment of SERS/STRS contributions. Failure to properly record all overpayment as intergovernmental receivables and accounts payable could result in misstated financial statements

**Official's Response:**

See Page 48

**FINDING NUMBER 2014-003**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

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

**FINDING NUMBER 2014-003  
 (Continued)**

**The following errors were noted that required adjustment to the financial statements:**

On the statement of cash flows, non-operating activity was overstated by \$168,993 and operating activity was understated by the same amount.

An error in calculation of Accounts Receivable - IMR resulted in an understatement of purchased services expense and an overstatement of accounts receivable - IMR by \$177,150.

The School improperly wrote-off \$18,743 in accounts receivable - IMR and \$8,956 in security deposits receivable and netted the loss on disposition of assets against gain on disposition of assets/liabilities.

Procedures should be developed and implemented to provide for the integrity of the financial records. Additionally, the amounts in the financial statements, notes to the financial statements, and MD&A should be supported by appropriate documentation. Failure to establish these procedures could result in inaccurate financial reporting of the School's activities.

**Official's Response:**

See Page 48

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

Finding Number	2014-004
CFDA Title and Number	Child Nutrition Cluster School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA # 10.555)
Federal Award Number / Year	2014
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**MATERIAL WEAKNESS, NONCOMPLIANCE AND QUESTIONED COST – Allowable Cost/ Cost Principles**

**2 CFR Part 225 Appendix A Part C** provides the following guidelines for expenditure to be allowable under federal expenditures:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be adequately documented.
- Not to be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

**FINDING NUMBER 2014-004**  
**(Continued)**

Additionally, **2 CFR Part 225, Attachment B, Section 8(h)(3)** states where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Furthermore, **Section 8(h)(4)** provides that; ...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix... Such documentary support will be required where employees work on:

- (a) More than one Federal award
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or,
- (e) An unallowable activity and a direct or indirect cost activity.

**2 CFR Part 225, Appendix A, paragraph F.1** defines indirect costs as costs that are incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. **2 CFR Part 225 Appendix C, paragraph D.3** states that all other local governments claiming central service costs must develop a plan in accordance with the requirements described in this appendix and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as sub-recipient, the primary recipient will be responsible for negotiating indirect cost rates and/or monitoring the sub-recipient's plan.

In Ohio, the Secretary of the U.S. Department of Education has delegated this authority to the Ohio Department of Education's (ODE) Office of Federal and State Grants Management. All districts recovering indirect costs must have a plan on file with ODE.

**34 CFR Section 80.36(3)** states that grantees and sub-grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or sub-grantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when:

- (i) The employee, officer, or agent,
- (ii) Any member of his immediate family,
- (iii) His or her partner, or
- (iv) An organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award. The grantee's or sub-grantee's officers, employees, or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to sub-agreements. Grantee and sub-grantees may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law or regulations, such standards or conduct will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and sub-grantee's officers, employees, or agents, or by contractors or their agents. The awarding agency may in regulation provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

**FINDING NUMBER 2014-004  
 (Continued)**

Acting on behalf of the School, Institute of Management and Resources (IMR) contracted the food service operations with Institute of Charter School Management Resources (ICSMR), a for profit private company that was incorporated by Jeanette Prear Harris, mother of the School's Superintendent/ IMR Treasurer, Michelle Thomas. The School allocated total payroll expenditures of ICSMR employees as well as supply expenditures related to the four schools to the Child Nutrition Cluster program. There was no indication that ODE approved an indirect cost plan for the School nor was evidence provided that all of these payroll and supply expenditures were related to the Nutrition Cluster Program for Richard Allen II Academy Community School.

In addition, sufficient audit evidence was not provided with respect to the shipping and handling cost for the commodities or the pizza costs. The documentation provided did not include third party invoices to show expenses were for allowable cost, additionally no bank statements or canceled check images were made available to show invoices were actually paid. In accordance with the signed agreement between the Management Company and the food service provider, the School was required to deduct pizza cost and shipping and handling cost of donated commodities from the payments made to the food service provider. The School did not exclude \$807 in pizza cost and \$991 in shipping and handling cost for the commodities.

Out of \$198,414 in food service expenditures reported by the School on its federal schedule, \$106,182 was supported by invoices and payment support. However, as documented above, from these expenditures the School failed to exclude \$1,798 in cost related to pizza and commodities. \$92,232 in child nutrition cluster expenses could not be substantiated and an additional \$1,798 in expenditures was overpayment made to the food service provider and were not allowable.

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost in the amount of \$94,030 is hereby issued. Policies and procedures should be established and implemented to develop controls that would detect and prevent any noncompliance with the federal awards.

**Official's Response:**

See Page 48

Finding Number	2014-005
CFDA Title and Number	Child Nutrition Cluster School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA # 10.555)
Federal Award Number / Year	2014
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Special Tests & Provisions – School Food Accounts**

**7 CFR § 210.14(c)** states that the school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section.



**FINDING NUMBER 2014-005  
 (Continued)**

The Ohio Department of Education requires food service activity to be accounted for separately in a Special Revenue fund (006).

During 2014, the School passed 100% of its federal receipts to its Management Company. The School utilized the food service fund to book revenue from Ohio Department of Education and expense to the management company. However, there was no indication that the Management Company was separately tracking the food service operations of the School.

Policies and procedures should be established and implemented to verify that the Management Company is complying with all federal grant requirements on behalf of the School. Failure to do so could result in material noncompliance and loss of grants revenues.

**Official's Response:**

See Page 48

Finding Number	2014-006
CFDA Title and Number	Child Nutrition Cluster School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA # 10.555) Title I Grants to Local Educational Agencies ( CFDA # 84.010)
Federal Award Number / Year	Child Nutrition Cluster – 2014 Title I Grants to Local Educational Agencies – 2013/2014
Federal Agency	United States Department of Agriculture United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Reporting**

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

At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

**FINDING NUMBER 2014-006  
 (Continued)**

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Following errors noted on the School's federal schedule required audit adjustments to properly reflect the School's federal expenditures for 2014:

- The School failed to report \$19,155 in entitlement value of donated commodity items received during FY14 on its federal schedule.
- Fiscal Year 2013 Title I grant expenditures in the amount of \$10,780 were expended in Fiscal Year 2014 and were excluded from the 2014 federal schedule.
- Additionally \$54,375 in fiscal year 2014 Title I grant expenditures were expended in Fiscal Year 2015 and inappropriately included in the 2014 federal schedule.

To reduce the risk of inaccurate reporting of federal revenues and expenditures and noncompliance with OMB Circular A-133, Subpart C, §\_\_.310(b), due care should be taken in the preparation of the Federal Awards Receipts and Expenditures Schedule. The Schedule should be reviewed after preparation and agreed to the underlying accounting records of the Management Company for accuracy.

**Official's Response:**

See page 48

Finding Number	2014-007
CFDA Title and Number	Child Nutrition Cluster School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA # 10.555)  Title I Grants to Local Educational Agencies ( CFDA # 84.010)
Federal Award Number / Year	Child Nutrition Cluster – 2014 Title I Grants to Local Educational Agencies – 2013 & 2014
Federal Agency	United States Department of Agriculture United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Procurement Suspension and Debarment**

**Federal Acquisition Regulation (FAR) Subpart 9.405(d)(1)** requires contracting officers to review the SAM exclusions, after the opening of bids or receipt of proposals. FAR Subpart 9.405(d)(4) requires contracting officers to review the SAM exclusions again, immediately prior to award, to ensure that no award is made to a listed contractor.

**FINDING NUMBER 2014-007  
 (Continued)**

**2CFR Section 180.300** states that when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking the EPLS; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person.

The School was unable to provide sufficient evidence to support a checked of SAM exclusions for any covered transactions.

The School should perform a verification of vendor eligibility, by conducting a SAM exclusions search, before payments are awarded from federal monies. This would permit the School to document that vendors have not been excluded by the federal government. Failure to conduct a SAM exclusions search could result in unallowable expenditures to vendors that are not authorized to enter into federal contracts.

**Official's Response:**

See page 49

Finding Number	2014-008
CFDA Title and Number	Title I Grants to Local Educational Agencies (CFDA #84.010)
Federal Award Number / Year	2014
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE, MATERIAL WEAKNESS AND QUESTIONED COST – Allowable Costs/ Cost Principles**

**2 CFR Part 225 Appendix A Part C** provides the following guidelines for expenditure to be allowable under federal expenditures:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be adequately documented.
- Not to be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

Additionally, **2 CFR Part 225, Attachment B, Section 8(h)(3)** states where employees are expected to work solely on a single Federal award or cost objective, charges for their salary and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Furthermore, **Section 8(h)(4)** provides that; ...Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix... Such documentary support will be required where employees work on:

**FINDING NUMBER 2014-008  
 (Continued)**

- (a) More than one Federal award
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or,
- (e) An unallowable activity and a direct or indirect cost activity.

During fiscal year 2014, the School reported \$4,843 in Title I non-payroll expenditures that were not properly supported by adequate documentation to show the obligations were actually paid from federal funds in accordance with applicable grant requirements.

Additionally, the School failed to maintain proper certifications or logs for fifteen out of the nineteen employees for the Title I federal program. The total salary and benefits charged to Title I program for the fifteen employees with no semi-annual certification, time and effort logs, or other compensating documentation was \$53,475; \$28,000 of which related to summer school stipends with pay period date after June 30, 2014.

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost in amount of \$58,318 is hereby issued.

Policies and procedures should be established and implemented to verify that each employee working solely on a federal program completes semi-annual certifications on a timely basis to avoid the potential loss of, or decrease of federal funding. The semi-annual certifications should be an "after the fact" representation of the hours worked. Therefore, these should be completed in a reasonably short time after the end of the period the certification is meant to cover. All certifications should include full disclosure of the facts and should include credible signatures. Employees working on multiple activities should complete time and effort logs documented their time spent on each activity.

**Official's Response:**

See Page 49

Finding Number	2014-009
CFDA Title and Number	Title I Grants to Local Educational Agencies (CFDA #84.010)
Federal Award Number / Year	2014
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Cash Management, Period of Availability and Reporting**

**34 CFR 80.20 Section 6** states accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

**FINDING NUMBER 2014-009**  
**(Continued)**

Additionally, **34CFR Section 80.23** states that where a funding period is specified, a grantee may charge to the grant only allowable costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. (b) A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The federal agency may extend this deadline at the request of the grantee. In Ohio, programs included in ODE's Consolidated Application have a project period starting with the application substantially approved date through June 30. Any carryover to the subsequent School fiscal year must be approved by ODE. Additionally, any budget revisions contain a substantially approved date which coincides with the date the revision request was submitted to ODE. Activities may not commence from that budget revision prior to the substantially approved date. For Richard Allen II Academy, the substantially approved date for 2014 grant was July 2, 2013.

The Title I grant expenditures reported on project cash request (PCR) forms submitted to the Ohio Department of Education (ODE) for cash drawdowns did not agree to the School's actual grant expenditures. For the project cash request forms reviewed, the following variances were noted:

<u>Title 1 - Pcr Date</u>	<u>PCR Expenditures</u>	<u>School's Actual Expenditures</u>	<u>Overstated (Understated)</u>
August 31, 2013	\$19,243	\$17,950	\$1,293
September 30, 2013	42,981	38,137	4,844
October 31, 2013	65,852	63,346	2,506
November 30, 2013	84,960	83,787	1,173
December 31, 2013	103,024	102,960	64
February 28, 2014	137,515	137,915	(400)
March 31, 2014	155,706	156,751	(1,045)
April 30, 2014	173,690	183,186	(9,496)
May 31, 2014	238,359	201,219	37,140
June 30, 2014	253,661	217,557	36,104
July 31, 2014	271,744	271,933	(189)

The 2014 grant expenditures included \$1,292 in instructional supplies cost that were ordered by the School on June 24, 2013 which was before the substantially approved date.

Additionally, the School charged \$28,000 in summer school stipend on July 18, 2014. However, there was no underlying documentation like time and effort logs available to substantiate whether these services were provided within the period of availability. The Semi-monthly time sheet provided by the School did not break down time spent on various activities and some work was performed after June 30, 2014.

**34 CFR 80.20 (B)(7)** requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub-grantees must be followed whenever advance payment procedures are used. In addition, 34 CFR 80.21 (h)(2)(i) requires except for interest earned on advances of fund exempt under Intergovernmental Cooperation Act (et seq.) and the Indian Self-Determination Act ( 450), grantees and sub-grantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or sub-grantee may keep interest amounts up to \$100 per year for administrative expenses.

**FINDING NUMBER 2014-009  
 (Continued)**

The following advance requests were not liquidated within 30 days of date of request:

<u>PCR Date</u>	<u>Advance Request</u>	<u>Amount spent within 30 days</u>	<u>Amount not spent within 30 days</u>
December 31, 2014	\$18,161	\$18,033	\$128

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost for above noted expenditures that were outside the period of availability has been issued as part of finding number 2014-008 as these expenditures lacked underlying support/ time and effort logs.

Policies and procedures should be implemented to establish and verify compliance with the cash management requirements for federal grants. Failure to do so could result in loss of federal grants and questioned cost in future audits.

**Official's Response:**

See Page 49

Finding Number	2014-010
CFDA Title and Number	Title I Grants to Local Educational Agencies (CFDA #84-010)
Federal Award Number / Year	2014
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Matching, Level of Effort, Earmarking**

**34 CFR Section 299.5(a)** stipulates that a Local Educational Agency (LEA) receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the State Educational Agency (SEA) finds that either the combined fiscal effort per student or the aggregate expenses 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 expenses for the second preceding fiscal year. This is commonly referred to as maintenance of effort requirement.

Subparts (d) (1) & (2) further explain, in determining an LEA's compliance with paragraph (a) of this section, the SEA shall consider only the LEA's expenses from State and local funds for free public education. These include expenses for administration, instruction, attendance and health services, pupil transportation services, operation and maintenance of plant, fixed charges, and net expenses to cover deficits for food services and student body activities. The SEA may not consider the following expenses in determining an LEA's compliance with the requirements in paragraph (a) of this section:

- Any expenses for community services, capital outlay, debt service or supplemental expenses made as a result of a Presidentially-declared disaster; or
- Any expenses made from funds provided by the Federal Government.

**FINDING NUMBER 2014-010**  
**(Continued)**

The Ohio Department of Education (ODE) performs the maintenance of effort computation for all Ohio LEA's, including community schools. ODE uses the Expenditure Flow Model (EFM) to report per-pupil spending for Ohio's schools to capture LEA expenditure data necessary for the maintenance of effort computation. The purpose of the EFM is to categorize and report expenses directly related to the education of students. Pursuant to Ohio Administrative Code Section 3301-19-03, the LEA expenditure flow reports shall be derived from data collected electronically – including financial records that utilize the data coding structure of the uniform school accounting system (USAS) available on the auditor of state's website – through the education management information system (EMIS) or any other reporting system designated for data collection by the superintendent of public instruction. All city, exempted village, local, and joint vocational school, educational service centers, and community schools will be required to submit the EMIS data necessary for the expenditure reports per deadlines established by EMIS procedures available on ODE's website.

Review of the Inclusion Report noted that for the following six general fund expenditure line items tested, the School could not provide the underlying support to tie the expenditures from the Inclusion Report to the School's accounting system:

<u>Fund/Function/Obj</u>	<u>Amount Per Inclusion Report</u>
001-1110-211-2012	\$164,559
001-1110-221-2012	22,756
001-1110-415-2012	3,103,981
001-1110-418-2012	7,614
001-2419-440-2012	68,292
001-2560-420-2012	28,118
	<u>\$3,395,320</u>

Additionally, the support for two out of seven non-general fund line items did not agree to the amount reported in the Inclusion Report. The following variances were noted:

<u>Fund/Function/Obj</u>	<u>Amount Per Inclusion Report</u>	<u>Amount Per Support</u>	<u>Variance</u>
516-1110-415-2012	\$61,693	\$103,960	(\$42,267)
572-1110-415-2012	\$296,487	\$322,024	(\$25,537)

The School should establish and implement policies and procedures to verify that all expenditures are reported correctly to the ODE. Failure to do so could result in erroneous maintenance of effort calculations and noncompliance at state level.

**Official's Response:**

See Page 49

Finding Number	2014-011
CFDA Title and Number	Title I Grants to Local Educational Agencies (CFDA #84-010)
Federal Award Number / Year	2014
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

**FINDING NUMBER 2014-011**  
**(Continued)**

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Special Tests & Provisions Highly Qualified Teachers and Paraprofessionals**

**34 CFR Section 200.55** in part states that:

(a) 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 § 200.56.
- (2) For the purpose of paragraph (a)(1) of this section, a teacher teaching in a program supported with funds under subpart A of this part is—
  - (i) A teacher in a targeted assisted school who is paid with funds under subpart A of this part;
  - (ii) A teacher in a schoolwide program school; or
  - (iii) A teacher employed by an LEA with funds under subpart A of this part to provide services to eligible private school students under § 200.62.

(b) All teachers of core academic subjects.

- (1) Not later than the end of the 2005–2006 school year, each State that receives funds under subpart A of this part, and each LEA in that State, must ensure that all public elementary and secondary school teachers in the State who teach core academic subjects, including teachers employed by an LEA to provide services to eligible private school students under § 200.62, are highly qualified as defined in § 200.56.

Per review of the Highly Qualified documentation for the Richard Allen Academy II Community School 11 out of 24 Title I teachers and paraprofessionals at the School did not meet the highly qualified teacher requirement (HQT). These 11 employees include five employees for whom the School had no HQT documentation on file. In addition, the School did not maintain HQT documentation for eight out of 17 employees who charged Title I funds during fiscal year 2014.

The School should develop and implement policies and procedures to verify that required individuals meet and maintain the highly qualified teacher requirements. This will provide for the School hiring the most qualified teaching staff.

**Official's Response:**

See Page 49



**FINDING NUMBER 2014-012**

Finding Number	2014-012
CFDA Title and Number	Child Nutrition Cluster School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA # 10.555)  Title I Grants to Local Educational Agencies ( CFDA # 84.010)
Federal Award Number / Year	Child Nutrition Cluster – 2014 Title I Grants to Local Educational Agencies - 2013
Federal Agency	United States Department of Agriculture United States Department of Education
Pass-Through Agency	Ohio Department of Education

**NONCOMPLIANCE AND MATERIAL WEAKNESS – Activities Allowed or Unallowed, Allowable Costs/ Cost Principles, Cash Management, Matching, Level of Effort, Earmarking, Period of Availability, Procurement Suspension and Debarment, Reporting and Special Tests and Provisions – Highly Qualified Teachers and Paraprofessionals**

**OMB Circular A-133 Subpart C Section .300(b)** requires the auditee to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The School spent \$228,337 in Title I, Part A Cluster funding and \$228,404 in Child Nutrition Cluster funding during fiscal year 2014. The School did not have appropriate controls in place and operating effectively over payroll expenditures to prevent and detect material noncompliance. Lack of controls resulted in expenditures that were deemed unallowable per 2 CFR Section 225. These issues have been reported in findings 2014-004 and 2014-008. Additionally, lack of controls was noted for the following compliance requirements in the Title I Grants to Local Educational Agencies:

- Activities Allowed or Un-allowed
- Allowable Costs/Cost Principles
- Cash Management
- Matching, Level of Effort Earmarking
- Period of Availability
- Procurement Suspension and Debarment
- Reporting
- Special tests and Provisions - Highly Qualified Teachers and Paraprofessionals

In addition, we also noted that the School failed to establish adequate controls over Activities Allowed or Un-allowed, Allowable Costs/Costs Principles, Procurement Suspension and Debarment and Special Tests & Provisions – School Food Accounts related to the Nutrition Cluster Program.

Appropriate controls should be developed and implemented at the School level to verify that controls will be able to prevent and detect any material non-compliance over federal programs. Failure to do so increases the likelihood of unallowable expenditures and material non-compliance with program requirements will be undetected.

**Official’s Response:**

See Page 49

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2013-001	Opinion modification due to lack of audit support	Yes	
2013-002	Ohio Rev Code §3314.03(B)(5) and AOS Bulletin 2000-005 – financial statement misstatements	No	Repeated as finding number 2014-003
2013-003	Ohio Rev. Code § 2921.42(A) – conflict of interest	No	Repeated as finding number 2014-001
2013-004	34 CFR 80.20 Section 6 & 34 CFR Section 80.23 (a) – Title I cash management, period of availability and reporting requirements,	No	Repeated as finding number 2014-009
2013-005	34 CFR Section 80.20(b)(1) – Title I final expenditure report variances.	Yes	
2013-006	OMB Circular A-133 Subpart C, §__.301(b) – Schedule of federal awards receipts and expenditures	No	Repeated as finding number 2014-006
2013-007	34 CFR Section 299.5(a) – Title I Level of Effort/Maintenance of Effort & Earmarking	No	Repeated as finding number 20174-010
2013-008	OMB Circular A-133 Subpart C Section .300(b) – Internal controls over federal grants	No	Repeated as finding number 2014-012
2013-009	2 CFR Part 225 Appendix A Part C – Title I Allowable Costs/ Cost Principles	No	Repeated as finding number 2014-008
2013-010	34 CFR Section 200.55 – Title I highly qualified teachers	No	Repeated as finding number 2014-011
2013-011	34 CFR Section 200.25(b)(1) – eligibility provisions for school wide programs	Yes	
2013-012	OMB Circular A-133 §__.320(a) – data collection form	No	Finding no longer valid

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**OFFICIAL RESPONSES  
JUNE 30, 2014**

**FINDING 2014-001**

**Official Response:** We believe the Auditor of State has treated the Richard Allen Schools less favorably than other community schools with regard to the relationship between the Schools and their management company. The Auditors have been provided with documentation, including Dr. Thomas' employment contract with IMR and the relevant board meeting minutes/resolutions to establish that Dr. Thomas, along with all administrators, teachers and staff at the Richard Allen Schools, are employed solely by IMR. The Governing Board of the Richard Allen Schools has taken action to give Dr. Thomas the title of Superintendent in order to recognize her role as the lead administrator of the Schools. However, this audit report fails to mention that Dr. Thomas also holds the title of Principal of both Richard Allen Academy and Richard Allen Academy II.

Dr. Thomas is but one of three administrators designated as principals by the Governing Board; all of whom are IMR employees providing services to the Schools pursuant to the Management Agreements between IMR and the Governing Boards. Neither Dr. Thomas, nor any of the other administrators, teachers or staff that make the Richard Allen Schools run on a day-to-day basis receive any compensation from the Schools. The Auditors have also been informed by the Ohio Attorney General's Constitutional section that their research has revealed no legal prohibitions regarding Dr. Thomas' relationship with IMR and the Schools. However, the Auditors have refused to remove this finding and the corresponding Ethics Commission referral.

This is also a common structure amongst community school management companies in Ohio and the schools that they operate. For instance, Constellation Schools, an Ohio limited liability company, operates 21 schools throughout the State. Constellation lists Richard Lukich as its Board Chairman and Thomas Babb as a board member. Mr. Babb is listed on each school's most recent audit report as the schools' treasurer/CFO, which is known under ORC 3314.011 as a designated fiscal officer and is more commonly referred to as a school treasurer. Mr. Lukich is listed as the incorporator of both Constellation Schools LLC and many, if not all, of the schools that Constellation operates. However, no findings for recovery have been issued against any of the Constellation schools regarding these relationships, nor have any Ethics Commission referrals been made. Other community school operators through the State, such as White Hat Management, employ similar structures. Documentation to support these contentions has been provided to the Dayton Regional Auditors.

**AOS Position:** The Richard Allen Schools and the Schools' management company, Institute of Management and Resources (IMR) are managed by the same group of individuals. Finding for Recoveries against IMR have been issued in the previous audit reports as listed below:

<u>Finding Number/ Description</u>	<u>Richard Allen</u>	<u>Richard Allen II</u>	<u>Richard Allen III</u>	<u>Richard Allen Prep</u>	<u>Status</u>
<b>Special Audit Report</b>					
Scholarship Fund	\$7,845				Repaid
Overpayment of Contract	27,511	\$134,109	\$127,794	\$118,826	Unpaid
Payroll and Benefits Billed	49,313	111,297	44,014	10,434	Unpaid
Former Superintendent	5,815	14,038	5,815	1,380	Unpaid
ODE TANF Funds	20,400				
<b>2011 Financial Audit</b>					
2011-002 Contract					
Overpayment	82,939	282,388	142,997	215,643	Unpaid
2011-003 Accounts					
Receivable	101,632	18,743	9,365	5,320	Unpaid
<b>2012 Financial Audit</b>					
2012-004 Contract					
Overpayment	30,360	238,511	69,145	114,265	Unpaid
<b>Total Finding for Recoveries</b>	<u>\$325,815</u>	<u>\$799,086</u>	<u>\$399,130</u>	<u>\$465,868</u>	

Overpayments made to the Management Company during fiscal year 2013 and 2014 have been reported as accounts receivable – IMR by the Schools.

The Ohio Attorney General's Office looked at the issue and concluded that it did not find any authority prohibiting the dual role. However, it concluded that it is up to the Ohio Ethics Commission to make the final determination and the research was not comprehensive.

Similar findings have been reported in prior audits. Since the finding has not been corrected it has been repeated in accordance with requirements in AU-C 265.

**FINDING 2014-002**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency.

**FINDING 2014-003**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency.

**FINDING 2014-004**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency. Richard Allen Academy II is dedicated to compliance with all federal award program requirements. In the past, the Ohio Department of Education (ODE) has monitored the Academy's compliance with Child Nutrition Cluster Program requirements. ODE's monitoring has not resulted in any material weakness, non-compliance or questioned cost findings. In light of the results of this audit, the Academy will work with the Auditor of State and ODE to reconcile the differences between the results of each agency's program monitoring. Once the reconciliation is complete, the Academy will take all reasonable steps to correct any remaining compliance-related issues.

**FINDING 2014-005**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency. Richard Allen Academy II is dedicated to compliance with all federal award program requirements. In the past, the Ohio Department of Education (ODE) has monitored the Academy's compliance with Child Nutrition Cluster Program requirements. ODE's monitoring has not resulted in any material weakness, non-compliance or questioned cost findings. In light of the results of this audit, the Academy will work with the Auditor of State and ODE to reconcile the differences between the results of each agency's program monitoring. Once the reconciliation is complete, the Academy will take all reasonable steps to correct any remaining compliance-related issues.

**FINDING 2014-006**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency. Richard Allen Academy II is dedicated to compliance with all federal award program requirements. In the past, the Ohio Department of Education (ODE) has monitored the Academy's compliance with Child Nutrition Cluster Program requirements. ODE's monitoring has not resulted in any material weakness, non-compliance or questioned cost findings. In light of the results of this audit, the Academy will work with the Auditor of State and ODE to reconcile the differences between the results of each agency's program monitoring. Once the reconciliation is complete, the Academy will take all reasonable steps to correct any remaining compliance-related issues.

**FINDING 2014-007**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency. Richard Allen Academy II is dedicated to compliance with all federal award program requirements. In the past, the Ohio Department of Education (ODE) has monitored the Academy's compliance with Child Nutrition Cluster Program requirements. ODE's monitoring has not resulted in any material weakness, non-compliance or questioned cost findings. In light of the results of this audit, the Academy will work with the Auditor of State and ODE to reconcile the differences between the results of each agency's program monitoring. Once the reconciliation is complete, the Academy will take all reasonable steps to correct any remaining compliance-related issues.

**FINDING 2014-008**

**Official Response:** The Academy is committed to compliance with state and federal program requirements and regulations. We will take all reasonable steps necessary to ensure compliance with the same.

**FINDING 2014-009**

**Official Response:** The Academy is committed to compliance with state and federal program requirements and regulations. We will take all reasonable steps necessary to ensure compliance with the same.

**FINDING 2014-010**

**Official Response:** The Academy is committed to compliance with state and federal program requirements and regulations. We will take all reasonable steps necessary to ensure compliance with the same.

**Finding 2014-011:**

**Official Response:** The Academy is committed to compliance with state and federal program requirements and regulations, particularly with regard to recruiting, hiring and retaining the most qualified teaching staff possible. We will take all reasonable steps necessary to ensure compliance with the same.

**FINDING 2014-012**

**Official Response:** The school is committed to producing accurate financial statements. It is reviewing this matter and will work to correct this deficiency. Richard Allen Academy II is dedicated to compliance with all federal award program requirements. In the past, the Ohio Department of Education (ODE) has monitored the Academy's compliance with Child Nutrition Cluster Program requirements. ODE's monitoring has not resulted in any material weakness, non-compliance or questioned cost findings. In light of the results of this audit, the Academy will work with the Auditor of State and ODE to reconcile the differences between the results of each agency's program monitoring. Once the reconciliation is complete, the Academy will take all reasonable steps to correct any remaining compliance-related issues.

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A-133 § .315(c)  
JUNE 30, 2014**

See Officials' Responses on pages 47-49



# Dave Yost • Auditor of State

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 30, 2015**