



Dave Yost • Auditor of State

**FCI ACADEMY
FRANKLIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES – FINANCIAL

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

We have performed the procedures enumerated below, with which the Board of Directors, Sponsor, and the management of FCI Academy (the Academy) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the period of July 1, 2015 to December 31, 2015, and certain compliance requirements related to these transactions and balances. The Academy was closed effective September 8, 2015. Management is responsible for recording transactions; and management, the Board, and the Sponsor are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2015 bank reconciliation. We found no exceptions.
2. We agreed the July 1, 2015 beginning cash fund balance recorded in the FINSUM report to the June 30, 2015 cash balance in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliation to the total of December 31, 2015 fund cash balances reported in the FINSUM report. The amounts did not agree. The book balance was \$31,537 higher than the bank balance.
4. We confirmed the December 31, 2015 bank account balances with the Academy's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2015 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each debit to the subsequent January and February bank statements. We found that only two of the debits cleared the bank during January and February.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31, 2015. We noted one check that could not be located on the payroll check register.

Cash (Continued)

6. We selected five reconciling credits (such as deposits in transit) haphazardly from the December 31, 2015 bank reconciliation:
 - a. We traced each credit to the August through December bank statements. We noted they were deposited into the Academy's bank account during August through December 2015 but were not posted to the Academy's records until January 2016.
 - b. We agreed the credit amounts to the receipt ledger. Each credit was recorded as a January 1, 2016 receipt for the same amount recorded in the reconciliation. We noted the receipts were not posted to the system in a timely manner.

7. We tested interbank account transfers occurring in December of 2015 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.

Foundation, Intergovernmental, and Other Confirmable Cash Receipts

1. We selected all receipts from the State Distribution Transaction List (DTL) covering the period.
 - a. For non-foundation receipts, we compared the amount from the above report to the amount recorded in the receipt ledger. The amounts agreed.
 - b. For foundation receipts:
 - i. We compared the amount from the above report to the net amount on the Community School Foundation Statement of Settlement Report (the Settlement Report). The amounts agreed.
 - ii. We compared the gross amount on the Settlement Reports to the amount recorded in the receipt ledger. The amounts agreed.
 - iii. We scanned the receipt ledger to determine whether it included one foundation payment each month for the months of July through August. We noted the receipt ledger included one foundation receipt for each month. However, the August receipt was not posted to the receipt ledger until January 1, 2016.
 - c. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - d. We determined whether the receipts were recorded in the proper period. We found the August receipt was not posted to the ledgers until January 1, 2016.

2. We inspected the miscellaneous receipts received during the period.
 - a. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper period. We noted the receipts were received during October and December 2015, but were not posted to the Revenue Ledger until January 1, 2016.

Debt

1. From the prior audit documentation, we noted the following debt outstanding as of June 30, 2015. These amounts agreed to the Academy's July 1, 2015 balances on the payables listing.

Debt	Principal outstanding at end of period
LFAC 0.0% Issued February 26, 2015	\$20,000

2. We inquired of management, and scanned the receipt and expenditure ledgers for evidence of debt issued or debt payment activity during the period. We noted no new debt issuances, nor any debt payment activity during the period.

Debt (Continued)

3. We inquired of management if any “on behalf” of assistance was received from the sponsor, management company, or other stakeholders. No such assistance was noted.

Payroll Cash Disbursements

1. We haphazardly selected one payroll transaction from the detailed payroll register, for five employees from the period and:
 - a. We compared the hours and pay rate, or salary recorded in the detailed payroll register to supporting documentation (timesheet, teacher contract, etc.). We found two employees' salary amounts did not agree to the amount they were paid. As a result, one employee was overpaid \$387 and one was overpaid \$154.
 - b. We determined whether the fund and account codes to which the transaction was posted were reasonable based on the employees' duties as documented in the employees' contract. We found no exceptions.
 - c. We determined whether the payment was recorded in the proper period. We found no exceptions.
2. We scanned the last remittance of tax and retirement withholdings for the period to determine whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare (and social security, for employees not enrolled in pension system)	1/31/2016	2/5/2016	\$1,774.09	\$1,774.09
Local income taxes	1/15/2016	2/3/2016	430.70	430.70
State income taxes	1/15/2016	2/11/2016	323.62	324.28
SERS Retirement	1/15/2016	12/24/2015	2,491.20	2,491.20
STRS Retirement	12/24/2015	12/17/2015	1,849.01	1,849.01

As noted above the Academy was late in paying the Columbus City taxes, Ohio income taxes and the Federal income taxes.

3. We confirmed that the school was current with their payments to the following retirement systems:
 - a. State Teachers Retirement System (STRS) – No exceptions were noted.
 - b. State Employees Retirement System (SERS) – No exceptions were noted.

Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the non-payroll expenditure ledger for the period and determined whether:
 - a. The disbursements were for a proper public purpose.
 - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the expenditure ledger and to the names and amounts on the supporting invoices.
 - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used.

We found no exceptions.

2. We reviewed the final FTE evaluation performed by the Ohio Department of Education (ODE) and determined whether the proper remittance was made by the Academy to ODE, as applicable, and whether any significant issues were identified. We noted the following exception:

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

A full-time student is one who attends the entire school day and entire school year; that will result with the student having a Full-Time Equivalence (FTE) of 1.00. Students who attend a Community School for less than the entire year will have an FTE equal to the total days/hours attended divided by the number of days/hours in the school year. Community Schools are funded on a per-pupil FTE basis.

The School Options Enrollment System (SOES) is the EMIS subsystem that drives funding for community schools. It is a Web application administered by the Ohio Department of Education (ODE) and used by community schools and traditional public schools to enter and review data used to flow funds to community schools. Community school personnel enter data in the SOES system and traditional public school personnel review, verify or challenge that data.

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

In addition, **Ohio Rev. Code § 3314.08** requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

Non-Payroll Cash Disbursements (Continued)

FCI Academy received Foundation funding in July and August 2015 in the amount of \$324,694; however, they did not open for instruction for FY16 and, therefore, was not eligible to receive this funding. We also noted the final fiscal year 2015 FTE adjustment was finalized on March 3, 2017, which indicated the Academy had been overfunded by \$16,076.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against FCI Academy in the amount of \$340,770 in favor of the Ohio Department of Education. This matter will be referred to the Ohio Department of Education.

We noted the Academy has not yet made the required remittance to ODE, totaling \$340,770.

3. We scanned the non-payroll expenditure ledger for the period to determine whether any unusual expenditures (i.e. expenditures other than expected salary payments, monthly utility expenses, monthly management company expenses, sponsor fees) were made after the closed date. We found no exceptions.

Compliance

1. We reviewed the compensation of the Board members for compliance with Ohio Rev. Code § 3314.02(E)(4) to ensure each Board member was not paid more than \$425 per meeting or a maximum of \$5,000 per year. We noted no exceptions.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Academy's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, the Sponsor, and others within the Academy, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES - CLOSEOUT

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

We have performed the procedures enumerated below, with which the Board of Directors, Sponsor, and the management of FCI Academy (the Academy) agreed, solely to assist the Ohio Department of Education (ODE) in evaluating whether the Academy completed the ODE Community School Closing Procedures for this Academy that closed effective September 8, 2015. Management is responsible for recording transactions; and management, the Board, and the Sponsor are responsible for complying with the Closing Procedure requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. In addition, we performed agreed-upon procedures, in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards* over the financial activity of the Academy, and have issued our report thereon dated March 20, 2017.

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

Ohio Department of Education, Community Schools Guidance Letter 2010-3 states sponsors must provide and execute a plan for an orderly wrap-up of a community school's affairs upon a permanent closure of a community school, preferably prior to the Academy closing its doors. An Academy is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the Academy's closure. The sponsor and a representative of the governing board are required to complete and sign the *Assurance to ODE Form*. The role of the sponsor in this process is to assure that the governing authority of the community school has taken required actions to properly address closing issues and/or to take those actions itself if the governing authority is no longer able or functioning. Inasmuch as a plan for Academy closure is a required part of the Academy's contract with the sponsor, final preparations as part of that plan should be in place prior to the last day students are in attendance.

Initial Notifications, Student Records and Academy Records

1. An Academy is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the Academy's closure.
 - a. We inspected the official notice to ODE that the Academy was closing, which contained the official sponsor notice from the superintendent. We noted no exceptions.
 - b. We noted this notice occurred within 24 hours of the action which included the date of closing of the Academy. We noted no exceptions.
2. We inspected the formal letter from the Academy governing authority, sponsor, and superintendent notifying parents that the Academy was closing. We noted that this letter was dated within 24 hours of the action, and included: the reason for the closing of the Academy, options for enrolling in another community school, traditional schools or nonpublic schools and contact information. We noted no exceptions.
3. We inspected the notice of closing sent to the Ohio State Teachers Retirement System and School Employees Retirement System. We noted the notifications were sent via e-mail once STRS and SERS inquired with the Academy upon hearing the Academy was closing. The e-mail notifications were both sent on September 8, 2015 which was the effective date of closing.
4. We inquired of the Sponsor if they took control of and secured all Academy records, property and assets immediately when the Academy closed.
 - a. We scanned student records to determine if they were put in order and if transcript materials were produced.
 - b. We inspected the final FTE review by the Ohio Department of Education to determine that it was completed.
 - c. We inquired of the resident district(s) if copies of student records were provided by the community school, within seven business days of closure of the community school as defined in section 3314.44 of the revised code.
 - d. We inquired of the receiving school if special education records were provided for all students with disabilities.

We noted the final FTE review was completed by the Ohio Department of Education (ODE). The Academy received a Notice of Intent to Suspend on August 12, 2015 and a Notice to Suspend on August 24, 2015. ODE sent a letter to the Treasurer on August 27, 2015 indicating the school owed \$324,694 for overpayment of Foundation revenues. We also noted the final fiscal year 2015 FTE adjustment was finalized on March 3, 2017, which indicated the Academy had been overfunded by \$16,076. We have issued a finding for recovery in the agreed upon procedures financial report for the period July 1, 2015 to December 31, 2015, in the amount of \$340,770 in favor of the ODE. We also noted the active records were received and cross-referenced by Columbus City School District on September 2, 2015. The inactive records were received on September 5, 2015; however, they were not officially received until October 21, 2015 as they arrived out of order and included records that were not on the inventory that were supposed to go to other LEA's. Additionally, it was noted that SSID numbers were not provided for all students and as of March 27, 2017 the SSID numbers still have not been received. No other exceptions noted.

5. We inspected the written notice to the Academy's staff from the governing authority of the decision to close the Academy. This notice included the following:
 - a. Provided a clear written timeline of the closing process;
 - b. Clarified COBRA benefits and when medical benefits end;
 - c. Reminded the faculty of their obligation to teach up to the date of closing or otherwise determine that the Academy is properly staffed up to the time of closing;
 - d. Provided sponsor contact information.

Initial Notifications, Student Records and Academy Records (Continued)

We noted the letter did not remind faculty of their obligation to teach up to the date of closing because the Academy never opened for the school year. Additionally, we noted the letter did not include sponsor contact information. No other exceptions noted.

6. We confirmed that the Academy was current with their payments to the following retirement systems:
 - a. State Teachers Retirement System (STRS) –No exceptions were noted.
 - b. State Employees Retirement System (SERS) –No exceptions were noted.

Disposition of Assets

1. We inquired if the governing authority retained the treasurer or the Sponsor to oversee the remaining financial activity, and act as a receiver to oversee the closing of the financial records in the absence of a fiscal officer. The treasurer was retained.
2. We inquired of the Academy and inspected the capital asset listing to determine if the Academy had any assets which had been purchased with federal dollars. The capital asset listing identified assets purchased with federal dollars, however, none were valued \$5,000 or greater and therefore the EDGAR liquidation procedures in 34 CFR 80.32 were not applicable.
3. We inquired of the Academy if they received computer hardware or software from the former Ohio SchoolNet commission or the former eTech Ohio commission. The Academy had no such computer hardware or software.
4. We obtained and scanned documentation showing:
 - a. The fair market (initial and amortized) value established via the capital assets policy, for all capital assets;
 - b. The listing of purchasers of assets with proper USAS codes, the price of each item, and the source of funds;
 - c. The established disposition plan for any remaining items;We noted the capital asset listing did not include the initial or amortized cost of the assets, did not include the purchaser, and did not include USAS codes. No other exceptions noted.
5. We inquired to identify:
 - a. What staff will have legal authority for payment processes (e.g. checks, cash, credit cards, etc.);
 - b. Any State Facilities Commission guarantees.

We noted no exceptions.

6. We inquired if the Academy had any real property acquired from a public school district. The Academy had no such property.
7. We inquired of the Academy and inspected the capital asset listing to determine if the Academy had any assets which had been purchased with National School Lunch Program federal dollars. The capital asset listing identified assets purchased with National School Lunch Program federal dollars.

Disposition of Assets (Continued)

- a. For cafeteria equipment purchased with National School Lunch Program federal dollars, we inspected the notice to ODE's Office for Child Nutrition (OCN), and the guidance issued by OCN regarding liquidating such assets. We noted the asset listing provided by the Treasurer did not indicate any assets purchased with National School Lunch Program federal dollars. The Treasurer indicated this was because his asset listing only contained items that had already been sold. He has received guidance from OCN and will dispose of the equipment per that guidance.
8. We scanned the Academy's expenditure ledger to determine if they utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following, in order:
- a. Any outstanding federal or state claims that may need to be paid first including but not limited to including federal and state taxes, Medicare, Workers Compensation, and city wage taxes;
 - b. STRS/SERS/retirement systems and other adjustments;
 - c. Teachers and staff;
 - d. Private creditors or those entities that have secured a judgment against the Academy, including audit preparation and audit costs (prepared financials);
 - e. If the assets of the Academy are insufficient to pay all persons or entities to which compensation is owed, the prioritization of the distribution of the assets to individual persons or entities within each class of payees may be determined by decree of a court in accordance section 3314.074 and Chapter 1702 of the Ohio Revised Code.
- We noted the Academy paid private creditors prior to paying Columbus City tax in the amount of \$4,189.46, Ohio tax in the amount of \$216.59 and Ohio Department of Job & Family Services in the amount of \$9,584.18. In addition, no court order was noted in item e. No other exceptions noted.
9. We inspected the liabilities related to items in step 8 to determine if they were disclosed either on the entities GAAP financial statements, or in the notes to the cash basis financial statements. We noted the Academy did not prepare year-end financial statements or notes to the financial statements for the period and therefore the liabilities related to items in step 8 were not disclosed.

Preparation of Itemized Financials

1. We scanned the following documents to determine such had been prepared:
 - a. Year-end financial statements, notes to the financial statements and if applicable schedule of federal awards;
 - b. A cash analysis (taking the previous month's recap and reconciliation of bank accounts to books) for determination of the cash balance as of the closing date;
 - c. Compile bank statements for the year;
 - d. List of all payables and indicate when a check to pay the liability clears the bank;
 - e. List all unused checks (collect and void all unused checks);
 - f. List of any petty cash;
 - g. List of bank accounts, closing the accounts once all transactions are cleared;
 - h. List of all payroll reports including taxes, retirement or adjustments on employee contract.
 - i. List of all accounts receivable.
 - j. List of assets and their disposition.
 - k. FTE review complete and submit a copy of the Certification Form signed at the FTE review.

Preparation of Itemized Financials (Continued)

We noted the Academy did not prepare year-end financial statements or notes to the financial statements, did not provide a list of unused checks, as no checks for any of the bank accounts were left, and did not provide a copy of the Certification Form signed at the FTE review. We noted no other exceptions.

Final Payments and Adjustments

1. The sponsor shall continually monitor the condition of the closed Academy and be prepared to receive or transmit funds on behalf of the Academy as directed by an appropriate agency. We inspected the Academy ledgers to determine that:
 - a. Any funds received or adjustments were credited to the account of the closed Academy.
 - b. Any portion of any funds received, or adjustments, were applied to satisfy any remaining debt as allowable;
 - c. Any funds remaining will be sent to the Ohio Department of Education, Office of Policy and Payments, for final disposition.

We noted as of February 29, 2017, the Academy had a bank balance of \$86,109.83. The Academy also had outstanding liabilities in the amount of \$632,338.70. Funds were properly credited to the Academy's account and the Academy is working to apply remaining funds to its liabilities and will return any remaining funds to the Ohio Department of Education.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Academy's compliance with the Ohio Department of Education's Close-Out Procedures. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the Academy's sponsor, the Ohio Department of Education, those charged with governance, and others within the Academy, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State
Columbus, Ohio

March 20, 2017

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FCI ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 25, 2017