



Dave Yost • Auditor of State



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Independent Accountants' Report on Applying Agreed-Upon Procedures

ISUS Institute of Healthcare
Montgomery County
140 North Keowee Street
Dayton, OH 45402

We have performed the procedures enumerated below with which the Sponsor agreed, solely to assist the Ohio Department of Education (ODE) in evaluating whether the School completed the ODE Community School Closing Procedures for this School that suspended operations on August 30, 2012 and officially closed on June 30, 2013. 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. The final financial statement audit for the School covered the period July 1, 2011 to August 31, 2012.

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 school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

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 school closing its doors. A school 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 school'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 school closure is a required part of the school'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 School Records

1. A school 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 school's closure.
 - a. We inspected the official notice dated August 8, 2012 to ODE that the school was suspended, which contained the board resolution. On January 29, 2014, the Sponsor sent a letter to the Governing Authority stating that the charter with the Sponsor had expired on June 30, 2013 and therefore the School was closed. ODE was included as a recipient of this letter.
 - b. We noted this notice did not occur within 24 hours of the action which included the date of closing of the school. The school was closed on June 30, 2013.

2. We inspected the letter from the school documenting the methods used to notify parents and teachers of the school's impending suspension. We noted that this letter was not dated within 24 hours of the action, but included an explanation of the methods the School used to communicate the initial suspension to the parents and teachers: the reason for the suspension of the school, options for enrolling in another community school, traditional schools or nonpublic schools and contact information.
3. We inspected the notice of closing sent to the Ohio State Teachers Retirement System. The notice of closing was sent to the State Teachers Retirement System.
4. We inquired of the Sponsor if they took control of and secured all school records, property and assets immediately when the school closed. We noted the exceptions below.
 - a. We scanned student records to determine if they were put in order and if transcript materials were produced. The Sponsor did not take control of the student records and originals were sent to the resident districts. The Sponsor did not retain copies of student records for audit.
 - b. We inspected the final FTE review by the Ohio Department of Education to determine that it was completed. We noted no exceptions.
 - c. We inquired of the resident districts if 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. We noted three instances where the receiving school could not locate the records.
 - d. We inquired of the receiving school if special education records were provided for all students with disabilities. We noted no exceptions.
5. We inspected the written notice to the School's staff from the governing authority of the decision to close the school. 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 school is properly staffed up to the time of closing;
 - d. Provided sponsor contact information.We noted no exceptions.
6. We confirmed with the State Teachers Retirement System (STRS) that the School's contributions are current. We noted no exceptions.

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 Sponsor was retained; however, the Sponsor was not a signer on the School's checking account.
2. We inquired of the Sponsor and inspected the capital asset listing to determine if the Sponsor had any assets which had been purchased with federal or state dollars. The capital asset listing did not identify the source of the funds used to procure the assets on the listing.
3. We inquired of the Sponsor if they received computer hardware or software from the former Ohio SchoolNet commission or the former eTech Ohio commission. The Sponsor was unable to identify if hardware or software had been received from either.
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;The asset listing we obtained did not identify items b or c above.
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.
The entity's sponsor has legal authority for payment processes and there were not any State Facilities Commissions guarantees.
6. We inquired if the School had any real property acquired from a public school district. The School had no such property.
7. We inspected documentation that disposition of assets valued at \$5,000 or greater, purchased with Federal Title, and other consolidated and competitive funds, followed EDGAR liquidation procedures in 34 CFR 80.32. We were unable to determine if any assets had been purchased with Federal Title funds.
8. The Public Charter School Program (PCSP) assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. The School did not have assets noted on the asset listing as being purchased with PCSP funds, so we were unable to determine if there were assets to be offered to other Community Schools.
9. We inquired of the School and inspected the capital asset listing to determine if the School had any assets which had been purchased with National School Lunch Program federal dollars. The capital asset listing did not identify the source of funding for any assets.
10. We scanned the School'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 school, including audit preparation and audit costs (prepared financials);
 - e. Any remaining funds shall be forwarded to ODE for redistribution to resident school districts consistent with ORC 3314.074 (A);
 - f. If the assets of the school 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. All assets owned by the District were liquidated by Court order. The Court order did not include a listing of assets within the School that were included in the liquidation; therefore, we were unable to verify that items on their asset listing were included in the Court order.

We noted that there were no outstanding payments due for taxes, retirement, or salaries. The School owed monies to the other ISUS Institutes that have also closed.

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 (Year-end financial statements and notes to the financial statements were prepared as of August 31, 2012. These statements were prepared after the School suspension date of August 30, 2012. There was minimal activity after this date.);
 - 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 (This was included with the statements and notes in Step. a above.);
 - c. Compile bank statements for the year (The last bank statement obtained was for the month of January 2013);
 - d. List of all payables and indicate when a check to pay the liability clears the bank (All payables were noted in the August 31, 2012 statements. A court order liquidated all assets and debts were paid);
 - e. List all unused checks (collect and void all unused checks) (No list of unused checks was provided);
 - f. List of bank accounts, closing the accounts once all transactions are cleared (As of August 26, 2014 the School had a checking account and it was not closed.);
 - g. List of all accounts receivable (The School received very little funds after closing and are not expecting any more receipts).
 - h. List of assets and their disposition (All assets were liquidated by court order).
 - i. FTE review complete and submit a copy of the Certification Form signed at the FTE review. The FTE review was completed per letter from ODE, but the School did not have a copy of the signed Certification.

Final Payments and Adjustments

1. The sponsor shall continually monitor the condition of the closed school and be prepared to receive or transmit funds on behalf of the school as directed by an appropriate agency. We inspected the School ledgers to determine that:
 - a. Any funds received or adjustments were credited to the account of the closed school.
 - b. Any portion of any funds received, or adjustments, were applied to satisfy any remaining debt as allowable;
 - c. Any funds remaining were sent to the Ohio Department of Education, Office of Policy and Payments, for final disposition.
 - d. If the assets of the school are insufficient to pay all persons or entities to whom 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 with this section and Chapter 1702 of the Revised Code.

The sponsor does not have access to the School's bank accounts and we were unable to obtain documentation that these accounts were closed. As of the last bank statement obtained dated January 31, 2013, the School had a bank balance of \$2,182.06. The lack of documentation of the bank account being closed and the disposition of the School's bank balance will be referred to the Ohio Department of Education.

At the conclusion of our engagement, we requested the School to provide us with written representations regarding their responsibility for:

- Recording transactions and maintaining the accounting records
- For complying with legal requirements we tested as part of our procedures
- Providing us with all reports, records and other documentary evidence supporting the results we described in this report
- Informing us of other matters that may relate to the procedures this report describes.

The School declined to sign this representation letter. You should consider the effect, if any, this matter has on the results this report describes.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the School'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 School's sponsor, Ohio Department of Education, those charged with governance, and others within the School, and is not intended to be, and should not be used by anyone other than these specified parties.

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

Dave Yost
Columbus, Ohio

Auditor of State

November 20, 2014

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ISUS INSTITUTE OF HEALTH CARE

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
DECEMBER 4, 2014**