

Value, Learning, and Teaching Academy

Basic Financial Statements

Year Ended June 30, 2007

with

Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Trustees
Value Learning and Teaching Academy
1100 Sycamore Street
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditors' Report* of the Value, Learning and Teaching Academy, Hamilton County, prepared by Foxx & Company, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Value Learning and Teaching Academy is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 19, 2009

This Page is Intentionally Left Blank.

VALUE, LEARNING, AND TEACHING ACADEMY

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Basic Financial Statements	12
Supplemental Schedule	
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
Audit Reports	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards	27
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	29
Schedule of Findings and Questioned Costs - Summary of Auditors Results	31
Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS	32
Findings and Questioned Costs for Federal Awards	44
Schedule of Prior Audit Findings	52

This Page is Intentionally Left Blank.



INDEPENDENT AUDITORS' REPORT

Value, Learning, and Teaching Academy
Hamilton County, Ohio
1100 Sycamore Avenue
Cincinnati, Ohio 45202

To the Board of Trustees

We have audited the accompanying basic financial statements of the Value, Learning and Teaching Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2007, and the respective changes in its financial position and its cash flows for the year then ended in conformity with auditing principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Academy's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Foxx & Company". The signature is written in a cursive, flowing style.

January 12, 2009
Cincinnati, Ohio

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2007
(UNAUDITED)**

The discussion and analysis of the VLT Academy's, Hamilton County, Ohio (the Academy), financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- Net Assets totaled \$477,348 (Table I) at the close of the 2007 Fiscal Year's operations. The principal components are Depreciated Net Assets \$680,594 and Negative Unrestricted Surplus (\$203,246) due to the excess of Current Liabilities over Current Assets.
- Total assets \$833,199 (Table I) consist of Depreciated Net Assets \$680,594, Cash in Bank \$76,003. Advanced Rent Prepaid \$60,058, and Intergovernmental Receivables \$16,544.
- Total Liabilities \$355,851 (Table I) consist of Accrued Wages and Benefits \$214,978, Intergovernmental Payables \$60,956, and Trade Payables \$79,917.

Using this Financial Report and Overview of Financial Statements

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2007
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, answer the question, “How did we do financially during 2007” These statements include all assets, liabilities, revenues and expenses, 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.

Table 1 provides a summary of the Academy’s net assets for fiscal year 2007.

(Table 1)
Net Assets

	2007	2006
Assets		
Current	\$ 152,605	\$ 318,674
Capital Assets, Net	680,594	340,502
Total Assets	\$ 833,199	\$ 659,176
 Liabilities		
Current Liabilities	355,851	176,028
Total Liabilities	355,851	176,028
 Net Assets		
Invested in Capital Assets	680,594	340,502
Unrestricted Assets	(203,246)	142,646
Total Net Assets	\$ 477,348	\$ 483,148

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2007
(UNAUDITED)**

Table 2 shows the changes in net assets for fiscal year 2007, as well as a listing of revenues and expenses.

Changes in Net Assets		
	2007	2006
Revenues		
Operating Revenues:		
Foundation Payments	\$ 3,672,375	\$ 2,385,495
Other Operating Revenues	537	1,160
Non-Operating Revenues:		
Federal and State Grants	907,636	466,173
Other	185,902	-
Total Revenues	4,766,450	2,852,828
Expenses		
Operating Expenses		
Salaries	1,994,322	1,000,552
Fringe Benefits	573,866	318,748
Purchased Services	1,550,662	668,466
Materials and Supplies	305,909	113,718
Depreciation	212,305	85,125
Other Operating Expenses	135,186	178,999
Non-operating Expenses		
Interest	-	4,072
Total Expenses	4,772,250	2,369,680
Decrease in Net Assets	\$ (5,800)	\$ 483,148

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2007
(UNAUDITED)**

Net asset change of a negative \$5,800 for FY 2007 stemmed principally from Capital Investments funds spent that exceeded proceeds from Federal and State grants provided for that purpose. Total foundation Payments of \$3,672,375 were generated by an average student population of 567 which is an increase of fifty (50) percent during 2007. Non-Operating revenues consist of Federal and State grants of \$907,636 of which \$350,000 was designated for Facilities upgrade, and other revenue of \$185,902, the principal component of which was a \$160,707 Nutrition grant. Eighty-six (86) percent of Operating Expense was composed of two items- Salaries and Benefits 53 percent, and Purchased Services (33%). The main components of Purchased Services \$1,550,662 are Lease Payments of \$522,557, and Repair, Utilities, and Janitorial expense of \$263,140, Lunchroom Cost (\$294,090), and Security/Communication cost \$78,561. Materials and Supplies of \$305,909 were principally Student related costs (56%)- Textbook purchases. Depreciation \$212,305 is cost of purchased assets allocated over a five year period. Principal components of Other Expenses \$135,186 are Sponsor Fees \$110,000, and Audit Fes \$14,818.

Foundation payments increased \$1,286,880 from the previous year. Principal reasons are the student population increase (accounting for \$1,409,015) offset by the reduction in per pupil formula cost of doing business factor of \$200 per pupil totaling \$172,184. Federal and State grants increase of \$602,171 stemmed from Facility Grants \$350,000, Nutrition Grants \$89,735, and Title I fund increase of \$162,436 that was due to student population increase. Other Non-operating Revenue \$25,194 is composed of Student fees and Admission charges.

An examination of 2007 expenses vs. 2006 reveals that the total Salaries and Fringe Benefit increase of \$1,248,888 was an increase of 95 percent over 2006 explained by a corresponding increase in average staffing (53.8 vs. 28.2). Extending the average wage package \$46,783 for 2006 by the average staff increase (25.6) will account for the increase. Although the student population increase of 215 was only 59 percent of the previous year, the incremental staff percentage increase of 32 percent (91% vs. 59%) is largely attributable to addition of certified staff for Secondary Core Curriculum requirements mandated by the State Department of Education which is incongruent with the student load for the Secondary level as grade progression of students have not materialized due to the length of time the school has been in existence.

As time progressed, the student teacher ratio will self correct. Purchased Services increase of \$882,196 was generated by an 80 percent space increase resulting in increased lease, janitorial, utility, and real estate tax cost.

Materials and Supplies increase of \$192,191 was composed chiefly of instructional equipment and supply cost due to student enrollment along with the attendant space increase requirement,

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS
for the fiscal year ended June 30, 2007
(UNAUDITED)**

Other Expense reduction (\$43,813) was chiefly due to the absence of Charter preparation expense that was a one-time charge in FY 2006.

Capital Assets

At the end of fiscal year 2007, the Academy had \$680,594 invested in Capital Assets. See Table 3 for details:

**Table 3
Capital Assets at June 30, 2007
(Net of Depreciation)**

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Leasehold Improvements	\$ 397,050	\$ 195,389	\$ 201,661
Furniture, Fixtures, and Equipment	<u>283,544</u>	<u>145,113</u>	<u>138,432</u>
Totals	<u>\$ 680,594</u>	<u>\$ 340,502</u>	<u>\$ 340,093</u>

For more information on capital assets see Note 6 to the basic financial statements.

Current Financial Issues

Value, Learning, And Teaching Academy, Hamilton County, Ohio (the Academy), was formed in 2005. During the 2006-2007 school year there were approximately 567 students enrolled in the Academy. The Academy receives its finances mostly from state aid.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Judy McConnell, Treasurer at Value, Learning, And Teaching Academy, 1100 Sycamore, Suite 300, Cincinnati, Ohio, 45202.

FINANCIAL STATEMENTS

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF NET ASSETS
as of June 30, 2007**

Assets

Current assets:

Equity in pooled cash and cash equivalents	\$ 76,003
Intergovernmental receivables	16,544
Prepaid items	<u>60,058</u>
Total current assets	152,605

Non current assets:

Capital assets:

Depreciable capital assets, net	<u>680,594</u>
Total non-current assets	<u>680,594</u>

Total assets **\$ 833,199**

Liabilities

Current liabilities:

Accounts payable	\$ 79,917
Accrued wages and benefits	214,978
Intergovernmental payable	<u>60,956</u>
Total current liabilities	355,851

Total liabilities **355,851**

Net assets

Invested in capital assets:	680,594
Unrestricted	<u>(203,246)</u>

Total net assets **\$ 477,348**

The accompanying notes are an integral part of the financial statements.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Assets
For the Fiscal Year Ended June 30, 2007**

Operating revenues	
Foundation payments	\$ 3,672,375
Other revenues	<u>537</u>
Total operating revenues	<u>3,672,912</u>
 Operating expenses	
Salaries	1,994,322
Fringe benefits	573,866
Purchased services	1,550,662
Materials and supplies	305,909
Depreciation	212,305
Other	<u>135,186</u>
Total operating expenses	<u>4,772,250</u>
 Operating income	 <u>(1,099,338)</u>
 Non-operating revenues and expenses	
Other federal and state grants	907,636
Federal and state meal subsidies	160,708
Other revenues	<u>25,194</u>
Total non-operating revenues and expenses	<u>1,093,538</u>
 Change in net assets	 (5,800)
 Net assets, beginning of year	 <u>483,148</u>
 Net assets, end of year	 <u>\$ 477,348</u>

The accompanying notes are an integral part of the financial statements.

**VALUE, LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2007**

Increase (Decrease) in cash and cash equivalents

Cash flows from operating activities

Cash received from foundation payments	\$ 3,672,375
Cash received from other operating revenues	8,360
Cash payments to employees for services and benefits	(2,450,977)
Cash payments to suppliers for goods and services	(1,936,845)
Cash payments for other operating expenses	<u>-</u>
Net cash used for operating activities	<u>(707,087)</u>

Cash flows from noncapital financing activities

Federal and state grants received	1,068,344
Other non-operating revenues	<u>25,195</u>
Net cash provided by noncapital financing activities	<u>1,093,539</u>

Cash flows from capital and related financing activities

Payments for capital acquisitions	<u>(552,397)</u>
Net cash used for capital and related financing activities	<u>(552,397)</u>

Net increase in cash and cash equivalents	(165,945)
Cash and cash equivalents at beginning of year	<u>241,948</u>
Cash and cash equivalents at end of year	<u><u>\$ 76,003</u></u>

The accompanying notes are an integral part of the financial statements.

**VALUE, LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 2007
(continued)**

**Reconciliation of operating loss
to net cash used for operating activities**

Operating loss	\$ (1,099,338)
----------------	----------------

**Adjustments to reconcile operating loss
to net cash used for operating activities**

Depreciation	212,305
Changes in assets and liabilities:	
Decrease in intergovernmental receivables	10,153
Increase in prepaids	(10,029)
Increase in accounts payable	39,096
Increase in accrued wages payable	97,864
Increase in intergovernmental payable	<u>42,862</u>

Total adjustments	<u><u>\$ 392,251</u></u>
--------------------------	---------------------------------

Net cash used for operating activities	<u><u>\$ (707,087)</u></u>
---	-----------------------------------

The accompanying notes are an integral part of the financial statements.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Value, Learning, and Teaching Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through Eight. The Academy qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Corporation of Ohio (the Sponsor) for a period of five years commencing July 1, 2005. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a five member Board of Directors. The Board of Directors is responsible for formulating policies to carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's one instructional/support facility staffed by 27 certificated full-time teaching personnel who provide services to 524 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

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

C. The basis of Accounting

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they occur.

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

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

D. Budgetary Process

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

E. Prepaid Items

Payment made to vendors, lessors, or other contractors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The School also participates in other various Federal and/or State Programs through the Ohio Department of Education. Revenue received from these programs is recognized as non-operating revenue in the accounting period in which all eligibility requirements have been met. Amounts awarded under these programs for the 2007 school year was \$1,068,344.

G. Capital Assets and Depreciation

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

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

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

Description	Estimated Lives
Leasehold Improvements	5 Years
Furniture and Equipment	5 Years

H. Net Assets

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

I. Operating Revenues and Expenses

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

J. Estimates

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

3. ACCOUNTING PRINCIPLES AND FUND BALANCES

A. Accounting Principles

For fiscal year 2007, the Academy has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”, Statement No. 38 “Certain Financial Statement Note Disclosures”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 41, “Budgetary comparison Schedules – Perspective Differences”, and GASB Interpretation

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." GASB Statement No. 34 creates new basic financial statements for reporting on the Academy's financial activities. GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures that potentially could arise, in interpretation and practice. GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement not disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The Academy's only enterprise fund had retained earnings of \$477,347 which was reclassified to unrestricted net assets.

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

All monies received by the School are accounted for by the School's Chief Financial Officer. All cash received by the Chief Financial Officer is held in an interest bearing central bank account. Total cash for the School is presented as Equity in Pooled Cash and Cash Equivalents on the accompanying Statement of Net Assets.

At fiscal year end, the carrying amount of the Academy's deposits (the bank balance) was \$76,003.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy had no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secure.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

5. RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year. The receivable balance at June 30, 2007, was from the following:

Ohio State Teachers Retirement System	\$	1,159
Federal Grant State-up Programs		5,000
Ohio Department of Education		1,600
School Nutrition		8,785
		16,544
	\$	16,544

6. PREPAID ITEMS

The lease stipulates that advance rent payments be made at the beginning of the lease that will be credited to the Academy's rental payment during the last year of the lease term. Accordingly, \$50,029 was remitted for the 1100 Sycamore Street lease during the 2006 Fiscal Year. In August of 2006, the second and final advance rent installment of \$10,029 was remitted to the Landlord.

7. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2007 consisted of the following:

	<u>6/30/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/2007</u>
Leasehold Improvements	\$ 244,236	\$ 334,010	\$ -	\$ 578,247
Furniture, Fixtures, and Equipment	181,391	218,387	-	399,778
Total Capital Assets Being Depreciated	425,627	552,397	-	978,025
Less Accumulated Depreciation:				
Leasehold Improvements	(48,847)	(132,350)	-	(181,197)
Furniture, Fixtures, and Equipment	(36,278)	(79,955)	-	(116,234)
Total Accumulated Depreciation	(85,125)	(212,305)	-	(297,431)
Total Capital Assets Being Depreciated, Net	\$ 340,502	\$ 340,092	\$ -	\$ 680,594

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

8. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Academy contracted with Acordia Insurance Agency for property and general liability insurance. General Liability, provided by Acordia Insurance Company, contains a \$1,000,000 single occurrence limit and a \$1,000,000 aggregate and \$10,000,000 umbrella coverage. There is a \$1,000 deductible.

B. Workers Compensation

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate for the Academy is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations, compared to the 10.58 percent for fiscal year 2006. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

for pension obligations to SERS for the fiscal years ended June 30, 2007 and 2006 were \$79,871 and \$140,007, respectively; of which 95 and 100 percent has been contributed for fiscal years 2007 and 2006, respectively.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio) a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at 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 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007 and 2006 were \$209,461 and \$108,355, respectively; of which 86 and 100 percent has been contributed for fiscal years 2007 2006, respectively.

10. POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount was \$14,962 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Fund was \$4.07 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$3,232.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2007 were \$195,496,097. At June 30, 2007, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 50,000 participants eligible to receive health care benefits.

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from policies and procedures approved by the Board of Trustees. All employees who work more than 25 hours a week are given three personal days and ten sick days each year. Administrative personnel receive vacation leave. No carryover of the personal day, sick days, and vacation leave is permitted. Therefore, there is no liability for benefits accrued at June 30, 2007

B. Insurance Benefits

The Academy has purchased insurance from the McGohan Brabender Insurance Agency to provide employee medical/surgical and dental benefits. The Academy pays 80 percent of the monthly premium; covered employees pay the remaining 20 percent.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

12. OPERATING LEASE

The Academy is currently committed under three non-cancelable leases with Sun Building Partners Ltd, specifically for the use of their school buildings. The leases are floors 3-7 at 1100 Sycamore Street (Lease 1), and 316 Reading Road Cincinnati, Ohio (Lease 2). An addendum to the leases that included floors 1, 2, and the basement at 1100 Sycamore Street (Lease 3) was signed February 1, 2007. The addendum extended the lease for all properties through June 30, 2013. The Academy recognized an expense of \$522,557 during the current school period ending June 30, 2007. The landlord grants one option of five years to extend this lease beyond the initial lease period at a lease rate to be negotiated with the landlord and consummated at least sixty days prior to the end of any lease period. The annual lease amount is adjusted by the average increase in the U.S. Consumer Price Index for the twelve months from June 1 to May 31 for each year of the lease. The minimum lease payments under the non-cancelable leases are as follows:

<u>Year ending June 30,</u>	<u>Lease 1</u>	<u>Lease 2</u>	<u>Lease 3</u>	<u>Total</u>
2008	\$ 378,000	\$ 126,575	\$ 186,786	\$ 691,361
2009	396,000	126,575	194,265	716,840
2010	396,000	126,575	194,265	716,840
2011	396,000	126,575	194,265	716,840
2012-2013	<u>792,000</u>	<u>126,575</u>	<u>388,530</u>	<u>1,307,105</u>
Total	<u>\$ 2,358,000</u>	<u>\$ 632,875</u>	<u>\$ 1,158,111</u>	<u>\$ 4,148,986</u>

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy.

However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2007, the review has not been completed. The Academy does not believe that any variance between the amount received to date and the final payment made to the Academy will have any effect to the Academy's financial standing.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public education system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any on the Academy is not presently determinable.

14. RELATED PARTY TRANSACTIONS

The Academy paid \$162,325 in custodial and maintenance services to CEED during fiscal Year 2007. CEED is owned by Clyde Lee, School Superintendent Valerie Lee's husband. Ms. Lee has no ownership interest in CEED. The Academy also hired Mr. Lee as an independent contractor for project management services. Mr. Lee received payments in the amount of \$57,856 for project management services during the year.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
for the fiscal year ended June 30, 2007**

15. PURCHASED SERVICES

For the year ended June 30, 2007, purchased service expenses were comprised of the following:

School lease payments	\$ 522,557
Property insurance	35,549
Utilities	92,380
Staff development	54,923
Legal fees	11,212
Accounting fees	33,375
Student testing	9,200
Security Service	30,019
Internet service	25,756
Copier maintenance	11,676
Project Management	57,856
Travel and meetings	27,284
Communications	41,284
Real Estate Tax	47,449
Food Service Contracts	294,090
Janitorial service	170,010
State Software (EMIS)	8,130
Advertising	12,844
All other	<u>65,068</u>
Total Purchased Services	<u>\$ 1,550,662</u>

16. OTHER EXPENSES

For the year ended June 30, 2007, Other Expenses Composition was:

Sponsor Fee	\$ 110,152
School Audit	14,818
Student Activities	7,896
All Other	<u>2,320</u>
	<u>\$ 135,186</u>

SUPPLEMENTARY INFORMATION

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Fiscal Year Ended June 30, 2007**

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Receipts	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through Ohio Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	LLP4	\$ 151,923	\$ 151,923
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>151,923</u>	<u>151,923</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Title I Grants to Local Educational Agencies	84.010	C1-S1	402,150	428,604
Special Education Cluster:				
Special Education - Grants to States	84.027	6B-SF	118,387	118,387
Title IV - Safe & Drug Free Schools	84.86	DR-S1	4,959	4,959
Charter School Program	84.282	CH-S1	300,000	300,000
Title V/VI - Innovative Educational Programs	84.298	C2-S1	966	966
Title II D - Technology Literacy Challenge	84.318	TJ-S1	4,181	4,181
Title IIA - Improving Teacher Quality	84.367	TR-S1	<u>16,292</u>	<u>16,292</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>846,935</u>	<u>873,389</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 998,858</u>	<u>\$ 1,025,312</u>

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
fiscal year ended June 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the Academy's federal awards programs. This schedule has been prepared using the cash basis of accounting.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of Trust
Value, Learning, and Teaching Academy

We have audited the financial statements of the Value, Learning, and Teaching Academy (Academy), as of and for the year ended June 30, 2007, which collectively comprise the Academy's financial statements, and have issued our report thereon dated January 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: Finding Nos. 2007-001 through 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

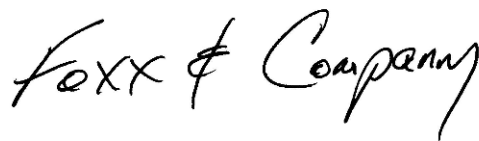
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe Finding Nos. 2007-001, 2007-002, 2007-003, 2007-004, and 2007-005 are also material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we are required to report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Finding No. 2007-002, 2007-003, and 2007-006.

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

This report is intended for the information and use of management, the Board of Directors, the Ohio Auditor of State, and federal awarding agencies and pass-through entities 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 "Fox & Company". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
January 12, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the Board of Trustees
Value, Learning, and Teaching Academy

Compliance

We have audited the compliance of the Value, Learning, and Teaching Academy, Hamilton County, Ohio (the Academy) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs are the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, with the exception of the questioned cost of \$42,000 and Finding Nos. 2007-007, 2007-008, and 2007-009, the Academy complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, Finding Nos. 2007-007 through 2007-010.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe Finding Nos. 2007-007, 2007-008 and 2007-009 are also material weaknesses.

This report is intended for the information of management, the Board of Directors, the Ohio Auditor of State, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cincinnati, Ohio
January 12, 2009

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Section 1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any significant deficiencies or material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance as the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness reported for major federal programs?	Yes
(d) (1) (iv)	Were there any other significant deficiencies in internal control weakness reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs:	CFDA # 84.010 – Grants to Local Educational Agencies (ESEA Title I) CFDA # 84.282 – Charter School Program
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 or more Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

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

Finding Number	2007-001
-----------------------	-----------------

Material Weakness – Inadequate Supporting Documentation for Certain Expenditures

The School Superintendent was paid additional compensation of \$23,679 for preparing grant applications even though this effort appeared to be part of the normal duties of the Superintendent according to the VLT Sponsor agreement. Although the payment was approved by the VLT Board of Directors, the amount was not specified or discussed by the Board as part of its approval, or whether or not the activities being compensated were eligible for additional compensation in light of the VLT Sponsor agreement. Also, the amount was included in two large unusual payroll transactions which were not adequately explained or documented in VLT’s accounting system. Because of the significant amount and the unusual nature of the transactions, the lack of an adequate explanation in the accounting system constitutes a material internal control weakness.

According to Attachment 2 of the agreement between the Sponsor and the Academy, “the superintendent will apply for grants and outside funds.” Also, the Superintendent’s contract states that: the superintendent shall be employed to perform usual and customary administrative duties. The contract also states that the Superintendent agrees to perform duties in accordance with the guidelines and principles in the Academy’s employment handbook and policies and in accordance with all applicable federal, state, and local laws; regulations; policies and procedures; and will be responsible for all aspects of managing the Academy. In addition, fundamental internal control procedures require that the accounting system adequately document unusual transactions including the purpose, authorization and approval of such transactions. Furthermore, the tenants of Government Accounting Standards strive for financial transparency for organizations receiving government funding.

Reasonableness of Additional Compensation

The Board approved the payment of additional compensation for the VLT Superintendent for preparing grant applications even though the VLT sponsor agreement specifically stated that the Superintendent was responsible for applying for grants and outside funds. The Board Minutes did not contain a discussion on the amount of the payment, how it was calculated, and the reasonableness of the payment for the work performed or even if the preparation of grant applications by the Superintendent warranted additional compensation. Also, no written document such as a contract outlining the additional services and the applicable compensation was available to explain the nature and reason for the additional compensation during our audit fieldwork. As presented in the minutes of the Board meeting, at the request of the Superintendent, the additional compensation for preparing grant applications was to be

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

compensated by paying the taxes applicable to a previous payment of \$75,000 made to the Superintendent during CY 2006 for additional services. Although not documented in the Board meeting minutes, the amount of taxes paid were \$23,749 (See following paragraph for an explanation) There is no indication in the Board minutes that the Board was aware of the amount of the taxes or that the Sponsor agreement specified that the Superintendent would apply for grants and outside funds as part of duties of the Superintendent.

Material Internal Control Issue

The VLT payroll system included two payroll transactions totaling \$98,749 of additional compensation in two separate payroll cycles in November and December 2006 for the Superintendent. It appeared that the Superintendent had received this additional compensation without any explanation in the accounting system. During the audit field work there was no documentation associated with these two unusual transactions in the accounting system explaining these transactions nor could VLT officials provide us with an adequate explanation. However, documentation submitted with VLT's written comments to the draft report disclosed that the two payroll payments were not actually paid to the Superintendent. According to VLT this was a mechanism used by its Payroll Processor Company to include \$23,749 of taxes associated with a \$75,000 payment made to the Superintendent for services performed in a prior fiscal year. As previously discussed, the \$23,749 was additional compensation paid to the Superintendent for preparing grant applications.

In the prior fiscal year the Board had approved the payment of \$75,000 to the Superintendent for writing the school charter and getting the school ready for its first year. The \$75,000 was paid to the Superintendent in three checks during Calendar Year 2006. Based on information included in VLT's written comments it now appears that the purpose of the payroll transactions was to include the \$75,000 amount, already paid to the Superintendent through three separate checks, in the payroll and include the taxes of \$23,749 applicable to the \$75,000. The total of \$98,749 was included on the Superintendent's W-2 for Calendar Year 2006. In addition, VLT prepared a journal entry that reduced the expenses in FY 2007 by \$75,000, the amounts already paid to the Superintendent by three checks to account for the \$75,000 now included in payroll. However, the journal entry did not indicate the purpose of the journal entry or explain this unusual transaction.

During the course of the audit, VLT personnel could not adequately explain this unusual transaction. Without the documentation submitted with VLT's written comments, which was not available to us during fieldwork, it could not be determined that the Superintendent was not paid the additional \$98,749. Because of the unusual nature of the transaction, failure to thoroughly document the situation in the accounting system is a material internal control weakness when the significance of the amount is considered. Also, the reasonableness of paying the Superintendent additional compensation of \$23,749 is questionable since the Sponsor agreement stated that applying for grants and outside funds was the responsibility of the Superintendent. In addition,

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

the Board meeting minutes or VLT officials could not provide the basis for arriving at the \$23,749 amount. Also, it did not appear that the Board was even aware of the amount.

Recommendations:

We recommend that VLT:

1. Provide documentation to the Board and the Academy Sponsor justifying that the duties performed for the additional compensation by the Superintendent were not part of the normal Superintendent duties to prepare grant applications as outlined in the sponsor agreement. If the Board and the Sponsor approve the amount, a justification and the methodology for calculating the amount should be documented. If the additional compensation is denied, recover the \$23,749 from the Superintendent,
2. Document in the accounting system the purpose of all unusual accounting transactions,
3. Establish and implement procedures to ensure that all additional payments to employees over and above their normal salaries are approved by the Board, listing the specific amount approved and included in formal contracts, including amounts to be paid, prepared and signed by both parties, and
4. Ensure that employees do not receive additional compensation for duties that are included in their basic duties.

Client's Comments: VLT provided documentation that indicated that the \$98,479 payroll payment was not actually paid to the Superintendent but was just a method used by its payroll processor company to pay the taxes owed on the \$75,000 payment made to the Superintendent for services in CY 2006. The written comments also included the Board resolution that authorized the payment of taxes owed on the \$75,000 and the journal entry reversing the \$75,000 expense established for the payments made to the Superintendent by check. Furthermore, the comments stated that VLT did not consider applying for national grants to be within the scope of the Superintendent's normal duties. VLT also made a distinction between applying for a grant and writing a grant proposal. They stated that applying for a grant involves drafting a letter of intent to the granting organization and sometimes providing basic information online. Writing a grant proposal requires preparation of the actual grant proposal which requires a number of activities that requires hours of outside work and is frequently done by a professional grant writer. Also, the VLT comments stated that the Superintendent would provide justification to the Board as to what was entailed in writing the grant proposals and the Board will determine whether the payment in the amount of \$23,749 was appropriate. In addition, VLT is drafting and will implement procedures to ensure that all payments to employees over and above salaries are set out in contracts that denote the service to be provided and the amount of payment. The contracts will be approved by the Board.

Auditor's Evaluation of Comments: Based on the documentation provided, the Superintendent was not paid the \$98,479 through payroll. As claimed in its comments the payroll transaction

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

was a method to pay the taxes owed on the \$75,000 payment. However, VLT did not provide documentation to show how the \$23,749 payment was calculated or that the payment was reasonable for the work performed. Furthermore, documentation was not submitted to show that the work performed was not part of the Superintendent’s normal duties as outlined in the sponsor agreement. Although VLT claimed that the grant preparation referred to in the sponsor agreement did not apply to national grants, there is nothing in the agreement that mentions what types of grants the Superintendent would prepare. Also, it would be reasonable to assume that national grants would qualify for either “grants” or “outside funds” as described in the sponsor agreement. Furthermore, VLT made a distinction between applying for grants and writing grant proposals. In our view, applying for a grant would mean a grant application would have to be prepared and would be part of the same process. Therefore, we do not agree that the two processes are separate and that the Superintendent should have been paid additional compensation. In addition, since none of this information was available in the accounting system, referred to in the accounting system, or available during fieldwork, this issue is a serious internal control weakness. Accordingly, the \$23,479 amount needs to be reviewed by the Board of Directors for reasonableness as to the amount and whether the amount should qualify for additional compensation. Therefore, the finding remains in the final report with the revisions made based on information submitted with the *Client’s Comments*.

Finding Number	2007-002
-----------------------	-----------------

Material Weakness and Non Compliance Citation – Failure to Maintain an Adequate Property Management System

The Academy did not have an adequate property management system during the fiscal year ended June 30, 2007. The Academy did not properly track, safeguard, and maintain fixed asset records. Also, the Academy did not perform a periodic physical inventory of fixed assets. As a result, there was no assurance that assets were properly safeguarded.

Ohio Admin Code Section 117-2-02 regarding accounting records, requires community schools to properly track, safeguard, and maintain fixed asset records which shall include original cost, acquisition date, voucher number, the asset type, asset description, location, and tag number. In addition, the Academy’s sponsor agreement stated that all equipment costing \$1,000 or more was considered a capital asset. Furthermore, good internal controls require periodic inventory of fixed assets.

Our audit disclosed that the Academy did not have an adequate system of property management. The Academy did not have written policies and procedures to account for fixed assets. This condition existed because the Academy stated in the previous year audit that the cost of having a property management system was too costly versus the benefits derived. As a result, the Academy was not in compliance with Ohio Admin Code Section 117-2-02 (accounting records) or federal requirements for property acquired with grant funds (See Finding No. 2007-008). In

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

addition, because of a lack of a property management system, there is a significant risk of misappropriation of assets due to inadequate accounting procedures for fixed assets. For example, during our testing for the Title I program we could not locate 8 of 10 computers selected for review purchased with federal funds. (See Finding No. 2007-008.) Property records which account for and safeguard assets are necessary.

(This is a repeat finding from last year's audit)

Recommendations:

We recommend that the Academy:

1. Develop and implement written policies and procedures to account for fixed assets which comply with the requirements of Ohio Administration Code Section 117-2-02.
2. Maintain detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets, and
3. Direct the FY 2008 financial statement auditor to verify that the property system adequately accounts for fixed assets in accordance with the Ohio Administrative Code.

Client's Comments: VLT stated that it now has an adequate property management system. The VLT comments stated that the Information Technology Director keeps records of all property using network management software. Before computers and other property are set up for use, each item is tracked with serial number, make, model and location. Once in the department or room, computers are coded specifically for that room and Title I computers are labeled and internally coded as such. VLT also included its Asset Recording Procedures with its comments. VLT also provided its Fixed Assets Schedule which includes for each asset its Name, Device Type, Serial Number, Manual and Asset Tag, Purchase Date and Purchase Price. In addition, VLT provided an inventory summary for each asset. In regard to the computers that could not be found during the audit, VLT stated that it was a serial number recording error. They stated that its Spice Works Software which has apparently been purchased since the audit field work, now generates reports and that such discrepancies will be avoided in the future. In addition, VLT provided a listing of computers that they said was now included in the Spice Works software. VLT stated that it would input the rest of its equipment into the Spice Works software at a later date.

Auditor's Evaluation of Comments: The system described in VLT's written comments would appear to resolve the issues pointed out in the finding when it is fully operational. However, as stated by VLT in its comments and as shown in its submissions with its comments, all the fields of the new property system have not yet been completed. VLT did submit a listing from Spice Works, its property management system, that contained mostly VLT's computers with many but not all of the data fields completed. We understand that VLT is working toward completing the listing for all accountable assets but it still has much work to complete. VLT stated in its comments that it will complete all fields for property in the Spice Works software at a later date.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

(In regard to Finding No. 2007-008 we did note that the property management system did not provide for the source of federal funds, where applicable.) When VLT completes all portions of the property records correctly this finding should be resolved. However, because we did not audit this information and the remainder of the property system was not completed, the finding and recommendations included in the draft audit report will remain in the final report.

Finding Number	2007-003
-----------------------	-----------------

Noncompliance Citation and Material Weakness – Not Reporting Additional Compensation to the Internal Revenue Service Regulation (26 CFR) Section 1.6041-1

The Academy could not provide evidence that additional compensation paid to several employees were reported to the Internal Revenue Service during the audit fieldwork. We noted that several employees had received additional compensation that was not included either on their W-2s or contained on the listing of 1099s provided to us by the Academy. In addition, 1099 form information submitted with the Client’s written comments could not be reconciled with 1099 information provided during the audit fieldwork. As a result, there was no assurance that the correct 1099 amounts were reported to the Internal Revenue Service.

Internal Revenue Regulation (26 CFR) Section 1.6041-1, requires employers to report all compensation of \$600 or more on Form 1099 that is not otherwise reported on Form W-2.

During Calendar Year 2007 (January 1, 2007 to December 31, 2007) the Academy issued checks to its, superintendent, treasurer, and a teacher in amounts ranging from \$3,000 to \$36,000. According to the listing of 1099s provided by the Academy dated March 10, 2008, these amounts were not reported on either IRS Forms W-2 or on Form1099. In addition, we requested the Form 1096, which is the transmittal form used to send 1099 forms to IRS, but Academy officials informed us via email that they failed to keep a copy of the form. Following is a list of the amounts and the payees for which VLT could not provide Form 1099s for the year:

Employee (Note 1)	Amount to be Reported
Superintendent	\$36,000
Teacher	3,000
Treasurer	3,000

Note 1-The actual names of the employees will be submitted to the Internal Revenue Service through the Ohio Auditor of State in accordance with Auditor of State directives.

As part of its written comments VLT submitted completed Form 1099s for the three individuals listed above. Also, a Form 1096 was provided which VLT stated transmitted the three 1099s to the IRS in May 2008 with a receipt showing that the IRS had received the 1096. We noted,

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

however, that the total amount of the 1099s submitted on the Form 1096 was \$112,626.40. This amount was less than a list of 1099s provided to us during fieldwork which VLT claimed had been submitted to the IRS. The list provided during fieldwork showed a total of \$113,000.97 for 1099s. Even though VLT had added \$42,000 in 1099s to the 1099 amount submitted to IRS in May 2008 it was less than the March 2008 list. Accordingly, we requested a summary listing of 1099s by individual comprising the \$112,426.40. Following is a comparison of the listing provided during the fieldwork and the list of 1099s provided with VLT's written comments:

Person (Note 1)	March 2008 Listing	May 2008 Listing	Difference (-) lesser amount on May 2008
Individual 1	\$ 770	\$0	\$(770)
Individual 2	3,980	3,730	(250)
Individual 3	625	625	0
Individual 4	875	875	0
Individual 5	47,374.95	620	(46,754.57)
Individual 6	2,133	2,133	0
Organization 1	2,500	2,500	0
Individual 7	750	0	(750)
Individual 8	600	0	(600)
Individual 9	1,640	1,640	0
Individual 10	2,520	2,520	0
Individual 11	625	625	0
Individual 12	29,400	29,400	0
Individual 13	1,150	0	(1,150)
Organization 2	17,458	17,458	0
Individual 14	600	600	0
New individual 1	0	36,000	36,000
New individual 2	0	3,000	3,000
New individual 3	0	3,000	3,000
New organization 1	0	1,000	1,000
New organization 2	0	6,900	6,900
Totals	\$113,000.97	\$112,626.40	\$(374.57)

Note 1-The actual names of the employees will be submitted to the Internal Revenue Service through the Ohio Auditor of State in accordance with Auditor of State directives.

Because of the differences between the 1099s from the fieldwork to the written comments, we could not determine if the proper amount of additional compensation was submitted to the IRS. Although most of the amounts are minor, the difference for Individual No. 5 of \$46,754.57 is significant. Since VLT represented to us during fieldwork that the March 2008 listing of 1099s were submitted to IRS, we do not understand why the May listing would have differences with exception of the three individuals added because of the audit. Also, we are not aware of any

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

communication with the IRS that either revised the March 2008 amounts or explained the differences shown above. Accordingly, we have no assurance of what amounts in total should have been submitted to IRS.

The failure to report additional compensation is a serious matter and carries a penalty for filing the 1099 forms late. The Auditor of State requires that all audit reports that disclose under reporting or other problems with submission of amounts to the IRS be submitted through their office to the IRS for resolution.

Recommendations:

We recommend that the Academy:

1. Reconcile the differences by individual between the March 2008 summary of 1099s and the summary of 1099s supporting the May 2008 submission and make any appropriate adjustments to IRS,
2. Establish procedures to ensure that in the future all appropriate additional compensation reports are filed in a timely manner, are complete and copies are made of all information submitted to the IRS for the Academy's records, and
3. Require the auditor of the Fiscal Year 2008 financial statements verify that the proper 1099 amounts were submitted to IRS.

Client's Comments: VLT provided copies of the Forms 1099s for the three individuals for Calendar Year 2007, a copy of the Form 1096 submitted by VLT to the Internal Revenue Service for Calendar Year 2007 dated May 2008, and a receipt that indicated that the IRS had received the Form 1096. In addition, as requested, VLT provided a summary by individual of the 1099s submitted to IRS in May 2008. VLT stated that the differences between the March 2008 and May 2008 listing of 1099s resulted because the Treasurer changed some accounts for auditing purposes and failed to double check the 1099s when preparing the end-of-the-year GAAP report. The March 2008 submission to IRS was correct with two exceptions, the three new individuals 1, 2, and 3 respectively, and the new organizations 1 and 2 in the amounts of \$1,000 and \$6,900 for which VLT will submit 1099s to IRS for the two organizations. Also, VLT stated that it had established procedures to ensure that all appropriate additional compensation reports are timely filed and intends to copy all submissions to the IRS.

Auditor's Evaluation of Comments: Although VLT submitted 1099s for the three individuals listed in the finding and a 1096 with a receipt showing that IRS did receive the 1096 form, there is no assurance that the correct amount for 1099s for Calendar Year 2007 was submitted to IRS. As discussed in the finding, the total amount submitted in May 2008 to IRS did not agree with the 1099 amounts provided to us in March 2008. As a result, we have revised the finding in the draft report to show these differences. The differences between the 1099 amounts in the March and May listings of 1099s discussed in the finding need to be reconciled and any differences

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

submitted to the IRS along with a letter or explanation. Although VLT claims it submitted the correct amount on the 1099s for individuals listed in the finding, we did not audit this information and cannot comment on the accuracy of the comments. Therefore, the draft finding with the updated information will remain in the final report. The details of this information will be submitted to IRS through the Auditor of State.

Finding Number	2007-004
-----------------------	-----------------

Material Weakness – Lack of Segregation of Duties

The Academy did not have adequate segregation of duties for the accounting function. A single individual was responsible for preparing and signing checks, reconciling bank accounts, performing all payroll duties, and maintaining the general ledger. Giving an employee custodial, record-keeping, and authorization responsibilities creates a significant internal control weakness.

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. To the extent possible, duties should be segregated to serve as a check and balance on the employee’s integrity and to maintain the best control system possible.

The Treasurer was responsible for all accounting duties. Although Academy checks required two signatures, the Treasurer and either the Superintendent’s or the Principal, the Treasurer was still responsible for performing all accounting duties. This condition existed because of limited staff working in the finance office resulting in many critical duties being combined. We believe segregation could be improved if different employees performed the separate duties of signing checks, processing cash receipts and cash disbursements, and maintaining books or original entry. Another approach to this situation would be to form a Finance Committee from Board of Director members to periodically review monthly financial statements, to determine whether proper accounting procedures are being followed, and that the bank reconciliations, cash journal and ledgers support the statements submitted. Without the proper separation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely manner.

Recommendations:

We recommend that the Academy:

1. Establish procedures to ensure that critical financial duties are separated. Individuals from outside the accounting function could perform some of the accounting duties, or a finance committee comprised of members of the Board should be established to review the accounting function, and
2. As part of any review, signatures or initials should be affixed to the documents reviewed and a notation of the review and its results be documented

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Client's Response: VLT provided a Board resolution establishing a Finance Chairman for the Board of Directors with responsibility to oversee the school treasurer operations and to reconcile all school accounts. Also, the Board could hire an outside accounting firm to assist the Board with this task.

Auditor's Evaluation of the Written Comments: The action contemplated by the Board should resolve the internal control problem noted, if properly implemented. However, the finding will remain in the final report because the situation was present during the audit period.

Finding Number	2007-005
-----------------------	-----------------

Material Weakness-Potential Conflict of Interest

The Academy awarded two contracts to a related party of the Academy Superintendent. We found that a contract for janitorial services in the amount of \$180,300 was awarded to a company owned by the husband of the Academy Superintendent without evidence of formal competition. In addition, the husband of the Academy Superintendent was awarded a personal service contract without competition. As a result, there was a potential conflict of interest and a potential violation of the Ohio Revised Code.

According to the Auditor of State compliance supplement Section 2-16, ORC 2921.42 applies to Community Schools. ORC 2921.42, *Having an unlawful interest in a public contract*, (A) No public official shall knowingly do any of the following: (3) During the public official's term of office or within one year thereafter, occupy any position of profit in the prosecution of a public contract authorized by the public official or by a legislative body, commission, or board of which the public official was a member at the time of authorization, unless the contract was let by competitive bidding to the lowest and best bidder. In addition, the Academy *Board of Directors' Handbook* states that "It is the policy of the Trustees and Officers of VLT to avoid any conflict or the appearance of conflict between their own respective individual, professional or business interests and the interest of the School in any and all actions taken by the board or the officers on behalf of the School in any such capacity". The Handbook went on to say that the member must abstain from voting on any issues surrounding the interest.

The Academy awarded an \$180,300 contract to perform janitorial services at the school to a company owned by the husband of the Academy Superintendent without competition. There was no evidence that there was adequate competition for this contract or that the Academy had performed a price or cost analysis to determine the reasonableness of the contract price. VLT provided a verbal quote from another contractor but there was not a method available to determine if the other contractor was bidding on the same services that were awarded because there was not a formal request for proposal issued for the services. Although the Academy

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Superintendent was a Board member at the time and was present at the Board meeting approving the contract, the Board resolution shows that the Superintendent abstained from voting.

In addition, the Academy hired the husband (the owner of the janitorial contractor) of the Superintendent as a project manager at a price of \$35 per hour plus mileage. A review of the contract disclosed that the contract did not have an end date, a ceiling amount, or state the number of hours to be worked per week or month by the individual. We were not provided any evidence supporting that other individuals were interviewed for this contract or how the hourly rate was established. Because of the fact that the Superintendent's husband owns the janitorial company and they are closely related by marriage, a potential exists for a violation of ORC 2921.42 and/or an appearance of a conflict of interest. The Auditor of State has informed us that these situations will be referred for an ethics review after the report is issued.

Recommendation:

We recommend that the Academy:

1. Establish formal procedures for issuing competitive procurements for awards of \$25,000 or more and personal service contracts, and
2. Develop documentation to support that the janitorial services contract and the personal services contracts resulted in the best value for the Academy.

Client's Response: VLT stated that there was no potential violation of the Ohio Revised Code for Conflict of Interest or a violation of the Board of Directors' Handbook. The VLT Superintendent has no ownership interest in her husband's janitorial company. The Superintendent abstained from voting on the contract for the janitorial services and the contract for the project manager contract. In addition, VLT provided a bid it obtained recently to show that another bidder would not provide the same level of services that CEED, the successful janitorial contract bid, was providing. VLT also provided a bid it had received at the time of the award of the janitorial contract award. According to VLT CEED was selected because the other firms did not provide the range of services that CEED provided. In regard to the project manager position, VLT stated no other candidates were interviewed because of the time commitment, varied duties and part-time status made the job at \$35 per hour not cost effective to bid out. VLT provided a list of the project manager's duties, training, and comparable positions in other schools. In addition, VLT provided formal procedures for issuing competitive procurements for awards of \$10,000 or more.

Auditor's Evaluation of the Client's Comments: Although the Superintendent abstained from voting on the contracts for her husband's janitorial company and the project manager job, she was a member of the Board and the School Superintendent at the time the Board approved the contracts. Accordingly, there is a potential appearance of a conflict of interest. Also, it could not be determined from the information provided whether the other contractor asked for a bid

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

was provided with the total requirements of janitorial work to be performed. Since there was no formal bidding against a formal bid package, we could not compare the two bids. To just say the other contractor would not provide the same range of services does not adequately justify the award of the contract without supporting documentation showing that both contractors had an equal opportunity to provide the same services. The establishment of the new procurement procedures for procurements of \$10,000 or more should resolve most of the procurement issues for services noted in the finding, if properly implemented. The finding in the draft report, however, will remain in the final report. Also, as requested by the Auditor of State, the information will be submitted for a conflict of interest review.

Finding Number	2007-006
-----------------------	-----------------

Noncompliance Citation – Failure to file annual GAAP basis financial report

The Academy’s Fiscal Year 2007 GAAP basis financial report was not filed with the Auditor of State as required by the Ohio Revised Code (ORC). Also, no notice of availability of the financial report was published. As a result, the Academy was not in compliance with ORC 117.38.

Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The report should be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year, except that public office reporting pursuant to generally accepted accounting principles (GAAP) shall file their reports within one hundred fifty days after the close of the fiscal year. At the time the report is filed with the Auditor of State, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The Academy had not filed its annual financial report with the Auditor of State or published notice in a local newspaper stating that the financial report was available for public inspection. Therefore, the Academy was in violation of ORC 117.38.

Recommendation:

We recommend that the Academy establish and implement procedures to ensure that its financial reports are filed with the Auditor of State within the one hundred fifty day period following the close of the fiscal year and that notice of availability of the financial reports is published in the local newspapers.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Client's Response: VLT stated that it mistakenly believed that it was to submit its Annual Report for FY 2007 to its sponsor (ERCO), not to the Auditor of State. VLT stated that it submitted its Report on time to its sponsor, as its sponsor directed. Its sponsor timely submitted the report to ODE, but not to the Auditor. VLT provided documentation indicating that the 2007 annual report was filed with the sponsor which in turn filed it with the Ohio Department of Education by November 30, 2007. In the future VLT will submit its annual report to the Auditor of State.

Auditor's Evaluation of Client's Comments: If VLT submits its annual financial statements to the Auditor of State within 150 days of its fiscal year end, this finding will be resolved.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2007-007
CFDA Title and Number	Title I – CFDA# 84.010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Allocation of Training Costs to the Title I Award

The cost of training charged to the Title I program was not reasonable. The training expense of \$42,000 was based on additional compensation amounts paid to the Superintendent and two individuals working for the Academy which far exceeded their normal salaries. Also, the Academy allocated the entire cost of training to the Title I program even though the training was given to non Title I individuals. Furthermore, for several courses taught by the Superintendent that were not charged to the Title I program no additional compensation was paid. Because the calculation of the training costs was not reasonable and other than Title I personnel were trained, the \$42,000 charged to the Title I program is considered a questioned cost.

According to 2 CFR Part 230, Attachment A, Paragraph A3, (formerly OMB Circular A-122), a cost must be reasonable and allocable in accordance with the benefits received in order for a cost to be allowable. Paragraph A2d states that a cost must be accorded consistent treatment. Paragraph A2g states to be allowable costs must be adequately documented. Also, Attachment B, 49 b. (5) states that the salaries and related costs of instructors who are employees of the organization are allowable. In addition, Attachment B, Paragraph 8, states that compensation for personal services to be allowable must be consistently treated between federal and non federal work.

Reasonableness of Training Costs

VLT claimed \$42,000 for the Title I program for training offered to individuals working on Title I and non Title I individuals during the fiscal year. The training costs charged to the Title I

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

program was based on amounts paid to three individuals to lead training sessions who worked for VLT. The reasonableness of the amounts paid to the three individuals of \$36,000 (Superintendent), \$3,000 (Treasurer), and \$3,000 (Title I teacher) to teach the courses could not be supported by VLT. For example, the amount paid to the Superintendent of \$36,000 represented an additional 30 percent of the Superintendent's annual salary of \$112,000. According to its written comments to the draft report, VLT stated that the Superintendent lead 158 hours (160-2hrs in FY08) of training of which 119 hours of training where Title I individuals attended. For the 119 hours of training the additional compensation of \$36,000 was paid to the Superintendent. For the 14 training sessions totaling 39 hours where no Title I individuals attended, the written comments showed that the Superintendent did not receive any additional compensation. Based on the 119 hours of training for which the \$36,000 was paid, the hourly rate equates to \$303 per hour. However, the Superintendent's hourly rate based on the base salary would be about \$67 per hour. Furthermore, The Treasurer and a teacher were both paid \$3,000 for leading 5.5 hours of classes each which equates to \$545 per hour. It is not reasonable for the Superintendent and the other two individuals to be paid hourly rates ranging from \$303 to \$545 per hour. Also, Paragraph B, Paragraph 49 states that only the salaries and related costs are allowable when the instructors work for the organization. Furthermore, it is not reasonable nor allowable per 2 CFR Part 230 for VLT to charge additional compensation for training to a federal grant while at the same time not incurring additional compensation for similar training when the costs must be paid by VLT. Accordingly, the \$42,000 for the training costs is questioned in accordance with 2 CFR Part 230.

Allocability of Training Costs to Title I

VLT offered staff development training to individuals working on Title I and non Title I individuals during the fiscal year which was charged to the Title I grant. We reviewed two training sessions where 35 and 45 individuals, respectively, attended. Although the Academy only employed 12 individuals (1 teacher, 10 aides, and 1 administrator) during the year that charged time to the Title I program, 100 percent of the training costs were claimed against the Title I program for these two sessions. In its written comments VLT provided a listing of all training provided during the year with many sign in sheets. VLT stated that there were 24 training sessions where Title I individuals attended. A review of this material indicated that many individuals not charging time to the Title I program were attending the sessions. It is not reasonable to charge that portion of the cost of professional training to the Title I program associated with non Title I individuals. Only that portion of training costs associated with the individuals working on the Title I program would be allowable. The remaining cost of the training should have been allocated to the general cost of the Academy or the non Title I programs.

Because the reasonableness of the training cost could not be determined, the compensation paid the Superintendent and the two other VLT employees far exceeded their salaries, and non Title I individuals attended the training, we have questioned the \$42,000 charged to the award as not supported, unreasonable and unallocable to the Title I program.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Recommendation:

We recommend that the Academy:

1. Determine a reasonable basis for the cost of providing training to individuals charging time Title I. This determination should only charge a reasonable amount based on the trainers actual salary, not what an outside trainer would charge the school.
2. Develop and implement procedures to ensure that non-federal activities are not claimed against federal awards and the costs should be reasonable and based on verifiable data, and
3. Document in writing additional compensation paid to Academy employees.

Questioned Costs:

\$42,000

Client's Comments: VLT stated that it properly allocated the training cost of \$42,000 to its Title I award. During FY 2007 VLT claimed that 12 teachers were paid with Title I funds. VLT provided a schedule showing which classes that the Superintendent and the other two VLT employees taught. The schedule showed that the Superintendent taught 160 credit hours (2 hours were in FY 2008) and the two other VLT employees taught 5.5 credit hours each. The listing showed that the Superintendent was paid additional compensation only for those training sessions that Title I individuals attended. For the sessions where only non-Title I individuals attended none of the \$36,000 was allocated. VLT stated that the cost of providing the training was comparable to outside providers. It provided an invoice from an outside vendor for 8 hours of training for \$2,500 and training brochures showing that outside training would cost more per individual than charged by VLT. In addition, VLT provided a schedule of all the classes that were taught at the school and which ones the three individuals taught and the number of hours of each session. VLT also provided sign in sheets for a number of the training sessions. VLT stated that one hour of training might entail many hours of preparation by the trainer. That the trainers should be paid based on their hourly rate was just the auditor's opinion and should not be part of an audit. Furthermore, VLT believes that it should open the opportunity to all teachers to attend training designed specifically for Title I teachers. However, in the future, it will use VLT's general account to pay for non-Title I teachers to attend its training sessions for Title I teachers. In summary, VLT stated that the \$42,000 was reasonable and should not be questioned.

Auditor's Evaluation of Client's Comments: VLT has not provided any documentation that indicated that the \$42,000 claimed for training on the Title I grant was reasonable. The amounts paid to the three individuals to lead the training classes were unreasonable when compared with their VLT salaries. The Superintendent was paid approximately \$67 per hour by VLT for the school year. However, the Superintendent received about \$303 per hour of additional

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

compensation based on the 119 hours to teach the courses charged to Title I. The other individuals were paid about \$545 per hour to teach 5.5 hours each while their Academy pay was about \$ 38 per hour. The amounts that exceed their salary rates would be unallowable in accordance with Paragraph 49 of Appendix B of 2 CFR 230. Therefore, it is not just the auditor's opinion but a federal requirement. Finally, we noted from the detail provided from the courses taught by the Superintendent that it appeared the Superintendent was only paid for the sessions where the Title I individuals attended not for the session where there were no Title I attendees. It is not reasonable or allowable in accordance with 2 CFR Part 230 to charge the federal government additional cost when apparently no costs were charged for similar training where non Title I individuals were not present.

In summary, we do not believe the \$42,000 charged to the Title I program is reasonable, allowable or allocable to the Title I program. Accordingly, the \$42,000 remains questioned. The finding and recommendations contained in the draft report have been updated with the Client's comments in the final report.

Finding Number	2007-008
CFDA Title and Number	Title I – CFDA# 84.010 Charter School Program – CFDA# 84.282
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness and Non Compliance Citation– Inadequate Property Management System

The Academy did not have an adequate property management system. The Academy only maintained a listing of equipment which did not always include the acquisition date, the purchase price, the correct location of the item, the condition of the equipment, or source of funding. Our testing of equipment purchased for the Title I Program disclosed most of the items tested could not be located. As a result, there was no assurance that the property purchased under federal grants was adequately accounted for or safeguarded.

According to 2 CFR 215.34(f) (1), formerly (OMB Circular A-110) when equipment is acquired with federal funds, equipment records shall be maintained accurately and include the following information: a description of the equipment; manufacturer's serial number, model number, etc; source of equipment including award number; whether title vests in the recipient or the federal government; acquisition date; information from which one can calculate the percentage of federal participation in the cost of the equipment; location and condition of the equipment and date the information was reported; unit acquisition cost; and ultimate disposition data, including date of disposal and sales price. Also, a physical inventory of equipment shall be taken at least once every two years and reconcile to the equipment records. In addition, an appropriate control system shall be in place to safeguard equipment, and equipment shall be adequately maintained.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Our audit disclosed that the Academy's property management system consisted of a listing of equipment items purchased. The listing showed the serial number, item description, condition, location, and source of funds. However, we found that the locations were not always correct and the funding source was not always completed. Accordingly, we were not able to test the items purchased for the Charter School Program and could not find items charged to the Title I program. For example, we attempted to locate 10 computers that were included on the Academy's equipment list and charged to the Title I program, but could only locate 2. Since an incorrect location for the computers was shown on the listing neither we nor the Academy officials could find the 8 computers. The lack of an adequate property management system was caused by the Academy's stated position that it was too costly to maintain a property management system. However, because the Client's Comments indicate that a revised property management system has been put in place no equipment costs have been questioned.

Recommendation:

We recommend that:

1. VLT establish and maintain a property management system that meets the requirements of 2 CFR 215.34.
2. The FY 2008 financial statement auditor verify that VLT's property management system adequately accounts for property acquired with federal funds in accordance with 2CFR 215.34(f)(1) (OMB Circular A-110).

Client's Written Comments: As discussed under Finding 2007-002 VLT believes its property management system complies with the federal requirements. See the Client's Comments to Finding No. 2007-002.

Auditor's Evaluation of Client's Response: The revised property management system should resolve the finding if implemented properly. However, the information provided in the form of the property listings was not complete. Also, to comply with federal requirements the property management system should include the source of federal funding, if applicable. The finding and recommendations will remain in the final report.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Finding Number	2007-009
CFDA Title and Number	Charter School Program – CFDA# 84.282
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness and Non Compliance Citation– Inadequate Procurement Procedures

The Academy’s procurement procedures were inadequate for purchasing items under the federal grants. We noted that the Academy did not maintain documentation indicating why a contractor was selected, bids received for certain projects were not comparable, and three estimates were not always solicited for procurements over \$25,000. As a result, there was so assurance that the best price was received for services and items charged to federal programs.

According to 2 CFR 215 Formerly (OMB Circular A-110), procurement records and files for purchases in excess of the small purchase threshold (currently \$25,000) shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.

The Academy’s procurement process for purchases in excess of the small purchase threshold had several deficiencies. We found that the Academy did not adequately utilize competitive bidding procedures or at least obtain cost estimates. For example, the Academy purchased computers for the school and charged the federal grants for about \$59,000 during August 2006. Instead of obtaining competitive bids for all the computers, the Academy purchased all the computers from a local vendor at various dates in August 2006. In addition, our review of proposals received for the Academy’s security system and carpet installation revealed that the bids were not comparable. For the carpet installation, the Academy received three bids for 5,580 square feet, 1,118 square yards and the third bid without the specific quantity listed, for \$10,490.85, \$15,372.50, and \$8,570, respectively. The Academy selected the \$15,372.50 bid and added another \$11,592 for additional flooring material services for a total expenditure of \$26,964.50. Academy personnel could not provide support or an evaluation of the bids to indicate how the Academy determined the best and responsive price for the carpet. For the Security system, four bids were received for \$47,990, \$55,000, \$42,721, and \$12,233. The Academy selected the \$47,990 bid. Again adequate documentation was not available to compare the bids nor was there an explanation of why the Academy selected the \$47,900 system. Because the procurement procedures employed by the Academy were inadequate there was no assurance that the most cost effective price was received for the items procured.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Recommendations:

We recommend the Academy:

1. Ensure that the new procurement procedures are adequately implemented to ensure that VLT complies with the procurement standards outlined in 2 CFR Part 215.
2. Provide documentation to its cognizant federal agency which supports that each acquisition listed above was acquired for a reasonable price and was necessary.

Client's Response: VLT stated that it has developed and implemented procedures to obtain competitive bids for procurements over \$10,000. In addition, VLT provided justifications for the purchase of computers, the Security system, and carpeting. It also provided vendor quotes for the security system and the carpet. In addition, for the computers it provide a paper showing it had purchased Window based computers for certain amounts during the audit period and an invoice for Apple computers purchased in FY 2008 that were more expensive.

Auditor's Evaluation of Client's Comments: The new procurement policy if properly implemented should adequately resolve the procurement problems noted in the audit. However, the other information provided for why the vendors were selected which was not available during field work, does not adequately ensure that the best value was received for the computer, carpet and the security system. Because the bidders were not asked to bid on the same basis, the bids could not be compared. Accordingly, the finding in the draft report will remain in the final report.

Finding Number	2007-010
CFDA Title and Number	Title I – CFDA# 84.010 Charter School Program – CFDA# 84.282
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency and Non Compliance Citation – Cash Management

The Academy did not have adequate controls to ensure that it provided accurate and complete information in its Project Cash Request (PCRs) as required by the Ohio Department of Education to assess compliance with the Cash Management Act. We could not reconcile the Academy's draw downs of federal funds with the expenditures on its accounting records. As a result, there was no assurance that the Academy was drawing down funds consistent with the expenditures on its federal grants.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

U.S. Department of the Treasury Regulations, 31 CFR Part 205, which implements the Cash Management Improvement Act of 1990, require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds. The agreements also specify the terms and conditions in which an interest liability would be incurred. Accordingly, the State of Ohio requires Local Educational Agencies (LEA) to request payments using the online Project Cash Request (PCR). The cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). Funds received are to be expended within the period of time for which the funds are requested.

The Academy could not provide a reconciliation of the expenditure amounts reported on the PCR to the Academy's general ledger. Our review of six draw downs for Title I and two for the Charter School programs which totaled \$544,135, could not be reconciled to actual expenditure recorded on the Academy's accounting records for the time periods that the draw downs took place. This condition existed because the Academy entered all expenditures into the General Fund during the year, and at year end allocated the costs to each program. With the exception of the costs questioned elsewhere in this report, our testing did not disclose any questioned cost as a result of the allocation process. Because the Academy did not have procedures for reconciling each cash draw down, there is the possibility that a request may have exceeded actual expenditures on federally funded projects at the time the draw down was made. Furthermore, the Academy was not in compliance with the Cash Management Act.

Recommendation:

We recommend that the Academy develop and implement procedures to ensure compliance with the cash management requirement including a procedure to reconcile cash draw downs with actual expenditures in the general ledger.

Client's Response: VLT stated that it is developing and implementing procedures to reconcile cash draw downs with accounting expenditures in the general ledger. The Board has established a Board Finance Chair, with oversight responsibilities, including reconciliation of cash draw downs with accounting expenditures.

Auditor's Evaluation of Client's Response: If VLT implements its new procedures properly, this finding should be resolved.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

Finding Number	2007-011
CFDA Title and Number	All
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Failure to Request an Extension from the Federal Oversight Agency for Filing the Single Audit

The Academy's did not request an extension to the date for filing its Fiscal Year 2007 Single Audit report from its federal oversight agency. In addition, an extension for filing the FY 2008 Single audit may not have been requested. It was the responsibility of the Academy to notify its federal oversight agency that the FY 2007 Single Audit would not be issued within nine months after the end of its fiscal year.

According to OMB Circular A-133, Paragraph 320a requires entities which expend more than \$500,000 in federal funds in a fiscal year to have an audit completed within nine months after the entity's year end.

The Academy had not requested an extension from its federal oversight agency for issuing its annual Single Audit for the fiscal year ending June 30, 2007. At the issuance date of our audit, January 12, 2009, we were not aware of any requests for time extensions or acknowledgement of requests from the federal oversight agency. Therefore, the Academy was in violation of OMB Circular A-133, Paragraph 320a. Furthermore, since the audit of the FY 2008 financial statements had not been started, it is very likely an extension would be needed for the issuance of the FY 2008 Single Audit.

Recommendation

We recommend that VLT:

1. immediately notify its federal oversight agency that the 2007 Single Audit will be late, and
2. request an extension to the due date from the federal oversight agency for the issuance of the FY 2008 Single Audit.

Client's Response:

The Academy acknowledges that it did not request an extension for the FY2007 Single Audit report. The Auditor never informed the Academy of the length of time the audit would require and had no reason to believe the audit would require such an unreasonable amount of time. Nor did the Auditor suggest or recommend to the Academy that such an extension should be filed because of the amount of time needed for the audit.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2007**

At the suggestion of the Auditor of State, who is conducting the Academy's FY2008 Single Audit, the Academy has requested and has received an extension for the due date for issuance of the FY2008 Single Audit.

Auditor's Evaluation of Client's Comments

Regardless of the amount of time the audit took, it was the responsibility of VLT to request an extension for the issuance of the FY 2007 Single Audit from its Federal oversight agency. Although VLT does not state in their written response that their Federal oversight agency has been notified we have to assume they have done so since VLT's states that an extension has been requested for the FY 2008 audit. Accordingly, if VLT has requested an extension for the issuance of the FY 2007 audit, this matter would appear to be resolved.

**VALUE, LEARNING, AND TEACHING ACADEMY
HAMILTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS
for the year ended June 30, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different corrective Action Taken' or finding no Longer Valid; Explain:
2006-01	The Academy does not properly track, safeguard, and maintain fixed assets records	No	Re-issued as Finding No. 2007-002
2006-02	The Academy does not create contracts for substitute teachers. Additionally, the Academy does not have executed contracts for the school's project manager, janitorial services, and the superintendent for writing the charter.	No	Partially Corrected, VLT has contracts for its substitute teachers, the school project manager, and the janitorial service contractor. However, the Academy did not document in writing the basis for certain additional payments to employees. See Finding No. 2007-001 and 2007-007.



Mary Taylor, CPA
Auditor of State

VALUE, LEARNING AND TEACHING ACADEMY
HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 2, 2009