



Mary Taylor, CPA
Auditor of State

**W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY**

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

W.E.B. Dubois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Trustees:

We have audited the accompanying basic financial statements of W.E.B. Dubois Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, as listed in the table of contents. These 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 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 W.E.B. Dubois Academy as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy has a negative net asset balance of \$8,578 and a net loss of \$218,810 as of June 30, 2004.

The Auditor of State has billed W.E.B. Dubois Academy for audit services provided for the school year ending June 30, 2004. As of the date of this report, the Academy has unpaid audit fees totaling \$56,793 of which \$15,713 has been outstanding for more than 120 days.

As described in Note 3, during the year end June 30, 2004, the Academy implemented a new financial reporting model, as required by the provisions of Governmental Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

W.E.B Dubois Academy
Hamilton County
Independent Accountants' Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 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*. You should read it in conjunction with this report 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 Government 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.



Mary Taylor, CPA
Auditor of State

February 4, 2009

W.E.B. Dubois Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Our discussion and analysis of the W.E.B. Dubois Academy's (School's) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards 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

Assets totaled \$791,817 a 26.7% increase from fiscal year 2003. Liabilities were \$800,395 a 93.0% increase from fiscal year 2003.

In total, net assets decreased \$218,810 which represents a 104% decrease from 2003. This decrease was due to expansion of facilities to accommodate increased enrollment.

Using this Financial Report

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

One of the most important questions asked about the School's finances is, "Is the School better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall condition of the School.

W.E.B. Dubois Academy
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004

Table 1 provides a summary of the Academy's net assets for fiscal year 2004 and 2003:

	(Table 1)	
	Net Assets	
	<u>2004</u>	<u>2003</u>
<u>Assets:</u>		
Current Assets	\$ 335,856	\$ 298,306
Capital Assets, Net	<u>455,961</u>	<u>326,550</u>
Total Assets	791,817	624,856
<u>Liabilities:</u>		
Current Liabilities	239,804	73,340
Long Term Liabilities	<u>560,591</u>	<u>341,284</u>
Total Liabilities	800,395	414,624
<u>Net Assets:</u>		
Invested in Capital Assets, net of debt	165,961	
Unrestricted	<u>(174,539)</u>	<u>210,232</u>
Total Net Assets	<u>\$ (8,578)</u>	<u>\$ 210,232</u>

The largest portion of the School's total assets (57.6%) reflects its investment in capital assets less any depreciation. The School uses capital assets to provide services; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets of the School have decreased \$218,810 and unrestricted net assets reflect a deficit balance of \$8,578. The decrease in net assets is primarily the result of increased expenses due to student enrollment.

W.E.B. Dubois Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Table 2 provides a summary of the Academy's changes in net assets for fiscal year 2004 and 2003:

(Table 2)
Changes in Net Assets

	2004	2003
Operating Revenues:		
Foundation payments	2,361,429	1,526,252
Other Operating Revenues	140,944	258,216
Non-Operating Revenues:		
State subsidies	(6,318)	44,544
Federal subsidies	334,836	388,001
Other		<u>151,506</u>
Total Revenues	<u>2,830,891</u>	2,368,519
 Operating Expenses:		
Salaries & Wages	1,294,516	966,196
Fringe Benefits	420,986	85,737
Purchased Services	440,861	
Materials & Supplies	486,050	
Depreciation	172,961	59,924
Miscellaneous	217,033	1,004,575
Non-Operating Expenses:		
Interest expense	<u>17,294</u>	<u>14,526</u>
Total Expenses	<u>3,049,701</u>	<u>2,130,598</u>
 Change in Net Assets	(\$ 218,810)	\$237,561

The School's revenue increased in the area of foundation payments. The growth is primarily due to increased enrollment over the prior school year. Similarly, the expenses for salaries and fringes increased as a result of having more staff members to serve the increased number of students. Other changes in revenue and expense lines are primarily the result of reclassification from one line to another.

Capital Assets

The School has \$455,961 invested in capital assets net of depreciation. The most significant addition to the School's capital assets for the 2004 fiscal year was leasehold improvements valued at \$290,000 on the books. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 5).

W.E.B. Dubois Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Debt

At June 30, 2006, the School had a balance of \$560,591 on a long-term line of credit payable an increase of \$219,307 over the prior year. Note 11 to the basic financial statements summarizes the School's long-term liabilities

Contacting the Academy

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions regarding this report or need additional information contact Doug Mangen, Treasurer at 1812 Central Parkway, Cincinnati, Ohio 45214.

**W.E.B. Dubois Academy
Hamilton County
Statement of Net Assets
as of June 30, 2004**

Assets

Current Assets

Cash and Investments	\$321,386
Intergovernmental receivable	14,470
Total Current Assets	<u>335,856</u>

Non-Current Assets

Capital assets (Net of Accumulated Depreciation)	<u>455,961</u>
Total Assets	<u><u>\$791,817</u></u>

Liabilities

Current Liabilities

Accounts Payable	\$30,964
Accrued Wages & Benefits	10,064
Intergovernmental Payable	198,776
Total Current Liabilities	<u>239,804</u>

Long-Term Liabilities

Due in more than one year	<u>560,591</u>
Total Long-Term Liabilities	<u><u>560,591</u></u>
Total Liabilities	<u>800,395</u>

Net Assets

Invested in Capital Assets, Net of related Debt	165,961
Unrestricted	(174,539)
Total Net Assets	<u><u>(\$8,578)</u></u>

The accompanying Notes are an integral part of the Financial Statements

W.E.B. Dubois Academy
Hamilton County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
for the Fiscal Year ended June 30, 2004

Operating Revenues

Foundation Payments	\$2,361,429
Other Operating Revenues	140,944
Total Operating Revenues	<u>2,502,373</u>

Operating Expenses

Salaries & Wages	1,294,516
Fringe Benefits	420,986
Purchased Services	440,861
Materials & Supplies	486,050
Depreciation	172,961
Miscellaneous	217,033
Total Operating Expenses	<u>3,032,407</u>

Operating Income (Loss) (530,034)

Non-Operating Revenues and (Expenses)

State subsidies	(6,318)
Federal subsidies	334,836
Interest Expense	(17,294)
Total Non-Operating Revenues and (Expenses)	<u>311,224</u>

Net Loss (218,810)

Net Assets Beginning of Year	210,232
Net Assets End of Year	<u>(\$8,578)</u>

The accompanying Notes are an integral part of the Financial Statements

**W.E.B. Dubois Academy
Hamilton County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2004**

Cash Flows from Operating Activities

Cash received from Foundation Payments	\$2,559,790
Cash received from Other Operating Revenues	140,944
Cash payments for personal services	(1,711,072)
Cash payments for contract services	(440,416)
Cash payments for supplies and materials	(496,270)
Cash payments for Miscellaneous	(216,783)
Net Cash Provided By/(Used for) Operating Activities	<u>(163,807)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	356,229
Net Cash from Noncapital Financing Activities	<u>356,229</u>

Cash Flows from Capital and Related Financing Activities

Cash received from Note proceeds	290,000
Payments for Capital Acquisitions	(302,372)
Payments for Interest on Capital Acquisitions	(89,219)
Net Cash Used for Capital and Related Financing Activities	<u>(101,591)</u>

Net increase in cash:	90,831
Cash at beginning of year	230,555
Cash at end of year	<u>321,386</u>

**Reconciliation of Operating Income to Net Cash
Provided By (Used for) Operating Activities**

Operating Income (Loss)	(530,034)
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**Adjustments to Reconcile Operating Income (Loss) to Net
Cash Provided by (Used for) Operating Activities**

Depreciation	172,961
Changes in Assets and Liabilities:	
Intergovernmental Receivable	25,570
Accounts Payable	(9,525)
Accrued Wages and Benefits	(18,579)
Intergovernmental Payable	195,800
Compensated Absences	0
Total Adjustments	<u>366,227</u>
Net cash provided (used) by operating activities	<u>(\$163,807)</u>

The accompanying Notes are an integral part of the Financial Statements

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**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

W.E.B. Dubois Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide an appropriate education facility and program for all age groups and to provide instruction in courses which meet general educational requirements compatible with and approved by the State of Ohio. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the academy.

The Academy was approved for operation under contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing July 1, 2000. 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 charter agreement with the sponsor required the Academy to develop a nonprofit corporation. Equal Playing Field Corporation was incorporated under Chapter 1702 of the Ohio Revised Code on August 23, 1999, as the not for profit corporate board of W.E.B. DuBois Academy(See Note 14 regarding the Academy's Federal tax status). Equal Playing Flied meets once a year to reappoint the Board of Trustees of the Academy and to give them authority to make all decisions for the Academy. During fiscal year 2004, the Academy entered into contracts, signed agreements, issued debt, and conducted business under the name of Equal Playing Field. Two of the board members for Equal Playing Field are also board members of the Academy.

The fiscal operations of the Academy are under the direction of a seven member Board of Trustees. The Board is responsible for formulating policies regarding fiscal operations and monitoring the expense of funds. The Academy's Treasurer also serves as the Chief Financial Officer and is responsible for directing the financial affairs of the Academy including accounting, purchasing, insurance, payroll and for reporting the progress of the Academy against those responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

Enterprise accounting is used to track and report the Academy's financial activities. Enterprise accounting is used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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 present increases and decreases 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.

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

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

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

Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

D. Cash and Deposits

All monies received by the Academy are accounted for by the Academy's Treasurer. For cash management, all cash received by the Treasurer is deposited within four different bank accounts.

The Academy had no investments during the fiscal year.

E. 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 values as of the dates received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight line method over an estimated useful live of five years. Leasehold improvements to capital assets are depreciated over the remaining useful live of the related capital assets.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program, in fiscal year 2004 the Academy received \$2,155,662, \$119,701 and \$86,066 respectively from these programs. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

G. Net Assets

Net assets represent the difference between assets and liabilities. Assets, net of related debt, consist 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.

H. Operating Revenues and Expenses

Operating revenues are those revenues 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.

I. 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.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, 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", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", and GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences".

GASB Statement No. 34 creates new basic financial statements for reporting on the Academy's financial activities.

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 note disclosures.

The Academy's only enterprise fund had retained earnings of \$210,232 which was reclassified to unrestricted net assets.

4. DEPOSITS

At June 30, 2004, the carrying value of the Academy's deposits totaled \$321,386, and the bank balance totaled \$390,355, \$100,000 of which was covered by federal depository insurance. The remaining \$290,355 was not insured or collateralized.

5. RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental receivables (federal grants) of \$14,470. All intergovernmental receivables are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)

6. CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2004, follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Capital Assets being depreciated				
Leasehold Improvements	\$ 537,438	\$ 290,000		\$ 827,438
Furniture and Equipment	60,862	12,372		73,234
Vehicles	<u>14,785</u>			<u>14,785</u>
Total Capital Assets, Being Depreciated	613,085	302,372		915,457
Less: Accumulated Depreciation				
Leasehold Improvements	266,947	155,820		422,768
Furniture and Equipment	18,356	14,184		32,539
Vehicles	<u>1,232</u>	<u>2,957</u>		<u>4,189</u>
Total Accumulated Depreciation	286,535	172,961		459,496
Capital Assets, Net	\$ <u>326,550</u>	<u>129,411</u>		\$ <u>455,961</u>

7. 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. For fiscal year 2004, the Academy contracted with Monroe Guaranty Insurance Company for property insurance. There is a \$500 deductible with a \$100,000 limit. General liability coverage has a \$1,000,000 single occurrence limit and \$2,000,000 aggregate and no deductible.

Employee dishonesty is protected by Monroe Guaranty Insurance Company with a \$50,000 blanket bond.

B. Worker's Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the annual total gross payroll by a factor determined by the State.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 Academy rate 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employees are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the years ending June 30, 2004, 2003 and 2002 were \$80,485, \$29,029 and \$19,062 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 the 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 DB 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 or Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salary. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Academy's required contribution for pension obligations to STRS for the years ending June 30, 2004, 2003 and 2002 were \$94,464, \$77,232 and \$35,892 respectively, equal to the required contributions for each year.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

9. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Academy, this amount equaled \$77,689 during fiscal year 2004. For the year ended June 30, 2004, net health care costs paid by STRS were \$3,086,916 and eligible benefit recipients totaled 111,853.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 5.83% of covered payroll to fund health care benefits. For the Academy, this amount equaled \$63,892 during fiscal year 2004. 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 2004, the minimum pay has been established at \$25,400. For the year ended June 30, 2004, net health care costs paid by SERS were \$300,860,704, and eligible benefit recipients totaled 60,569.

10. OTHER EMPLOYEE BENEFITS

Insurance Benefits

The Academy has contracted with a private carrier to provide employee health insurance. The Academy paid 100% of the monthly premium for fiscal year 2004, the total monthly premium was \$780 for family coverage and \$260 for single coverage.

The Academy provides life insurance to all employees through a private carrier. Coverage in the amount of \$15,000 is provided to all employees.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

11. NON-CURRENT LIABILITIES

LINES OF CREDIT

The Academy held the following debt during the fiscal year:

PNC Bank Line of Credit with a limit of \$200,000 dated June 23, 2000 and expiring on June 1, 2001. Four extensions have been received since the original maturity date for October 3, 2002, March 31, 2003, March 31, 2004 and September 30, 2004. The interest rate on the line of credit is variable at the prime rate and payable monthly. The balance at June 30, 2004 is \$187,878. Subsequent to the end of the year, and prior to the issuance of these financial statements, the loan was refinanced to a five year fixed rate of 6% with payments commencing October 22, 2004 payable monthly through September 22, 2009.

PNC Bank Line of Credit with a limit of \$200,000 dated April 3, 2001 and expiring on October 3, 2002. Four extensions have been received since the original maturity date for October 3, 2002, March 31, 2003, March 31, 2004 and September 30, 2004. The interest rate on the line of credit is variable at the prime rate and payable in monthly installments of \$3,333. The balance at June 30, 2004 is \$104,466. Subsequent to the end of the year, and prior to the issuance of these financial statements, the loan was refinanced to a five year fixed rate of 6% with payments commencing October 22, 2004 payable monthly through September 22, 2009.

PNC Bank Line of Credit with a limit of \$290,000 dated August 18, 2003 and expiring on September 1, 2008. The interest rate on the line of credit is variable at the prime rate and payable in monthly installments of \$2,417 plus accrued interest. The balance at June 30, 2004 is \$268,247.

<u>Issue</u>	Interest	Issue	Maturity	7/1/03			6/30/04	Due within	Due more than 1 year
	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>1 Year</u>	
PNC Line of Credit	0.0425	6/23/00	3/31/05	197,950		10,072	187,878	187,878	
PNC Line of Credit	0.0425	10/3/02	3/31/05	143,334		38,868	104,466	104,466	
PNC Loan	0.04	8/18/03	9/1/08	0	<u>290,000</u>	<u>21,753</u>	<u>268,247</u>	<u>29,004</u>	<u>239,243</u>
				<u>341,284</u>	290,000	70,693	<u>560,591</u>	321,348	239,243

12. OPERATING LEASE

The Academy has a five year lease with Camp Washington Community Board, Inc. for 11,000 square feet of building space to be used for educational and administrative purposes. In fiscal year 2004, the Academy paid \$60,000 for their lease. There was an additional charge of \$12,830 for utilities. The Academy has an option to renew the lease for an additional year at \$60,000 per year. This option is contingent on their sponsors yearly renewal of their charter agreement. The Academy renewed the lease for fiscal year 2005.

**W.E.B. Dubois Academy
Hamilton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the Academy at June 30, 2004.

14. PURCHASED SERVICES

For the year ended June 30, 2004, purchased service expenses were payments for services rendered by various vendors as follows:

Professional and Technical Services	\$ 129,586
Property Services	160,673
Travel Mileage/Meeting Expense	32,076
Communications	17,028
Utilities	24,561
Contracted Craft	3,221
Pupil Transportation	73,716
Total Purchased Services	\$ 440,861

15. TAX EXEMPT STATUS

The Academy has obtained its § 501(c)(3) tax exempt status under the name of Equal Playing Field. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.

16. NONCOMPLIANCE

Contrary to Ohio law, the Academy did not deposit money on the business day following the day of receipt, or have in place a policy that would allow them to deposit funds less than \$1,000 within three business days of receiving it.

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Mary Taylor, CPA

Auditor of State

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

W.E.B. Dubois Academy
Hamilton County
1812 Central Parkway
Cincinnati, Ohio 45214

To the Board of Trustees:

We have audited the basic financial statements of W.E.B. Dubois Academy, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2004, and have issued our report thereon dated February 4, 2009, wherein we noted that the Academy adopted Government Accounting Standards Board Statement 34. We also noted the Academy has a negative net asset balance of \$8,578 as of June 30, 2004, and had unpaid audit fees in the amount of \$57,793 as of the date of this report. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-010 through 2004-012.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

In a separate letter to the Academy's management dated February 4, 2009, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

W.E.B. Dubois Academy
Hamilton County
Independent Accountants' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 through 2004-009.

In a separate letter to the Academy's management dated February 4, 2009, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 4, 2009

**W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

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

FINDING NUMBER 2004-001

Finding for Recovery

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. **Ohio Rev. Code, Section 149.43(B)**, states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

During the 2003-2004 school year, the Academy issued three checks payable to "cash" totaling \$7,455. Another check payable to "cash" totaling \$1,955 was issued from the Equal Playing Field Foundation bank account. The Academy could not locate vendor invoices or other documentation to support the purpose of these payments. Based on the lack of supporting documentation for the checks we were unable to determine if the expenditures were for a proper public purpose. These four checks were signed by Wilson H. Willard III, the former Superintendent, and Shirley Mason, the former Business Manager. Additionally, Wilson H. Willard III subsequently pleaded guilty and was convicted of three counts of theft and two counts of tampering with records related to his time as Academy Superintendent.

The Academy's failure to maintain adequate support for expenditures represents a pattern of abuse which could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Wilson H. Willard III, former Superintendent, and Shirley Mason, former Business Manager, jointly and severally in the amount of \$9,410 and in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-002

Finding for Recovery

On April 30, 2004 Wilson H. Willard III was issued a check in the amount of \$1,500 by the Academy to pay the entry fee for a kung fu tournament. On May 10, 2004, a check was written to the tournament organizer (Lee Harper) by Mr. Willard in the amount of \$1,500 from his personal bank account. On May 11, 2004, the check was returned to his bank account because of insufficient funds, and, thus, never cleared the bank. As a result, Mr. Willard was reimbursed by the school for this expense which he did not incur. This check was signed by the former Superintendent and the former Business Manager.

FINDING NUMBER 2004-002
(Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Wilson H. Willard III, former Superintendent, and Shirley Mason, former Business Manager, jointly and severally in the amount of \$1,500 and in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-003

Finding for Recovery

On March 14, 2004, Wilson H. Willard III, the former Superintendent, received a leave pay-out of \$5,367. According to his contract, he is entitled to receive 14 days of paid leave, and may be compensated for any unused leave at the end of the school year. Leave payout is determined by multiplying his daily rate of pay (\$353.85) by any unused days. The maximum payout Mr. Willard could receive for 14 days of unused leave was \$4,953.90. Mr. Willard was overpaid by \$413.10 according to his contract.

$$\$5,367 - \$4,953.90 (\$353.85 \times 14) = \$413.10$$

On June 15, 2004, Shirley Mason, the former Business Manager, received an unused leave pay-out of \$1,153. According to her contract she is not entitled to receive payment for any unused leave. According to her contract, Ms. Mason was overpaid by \$1,153.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Wilson H. Willard III, former Superintendent, in the amount of \$413 in favor of W.E.B. Dubois Academy, and against Shirley Mason, former Business Manager, in the amount of \$1,153 in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-004

Finding for Recovery

July and August Foundation Payments

The Academy submitted a monthly report documenting the total hours of services rendered to its students for payment to the Ohio Department of Education (ODE). The Academy operated year-round providing nine hours of education each day. We obtained from ODE the hours of services provided to students by Academy and paid by ODE for the 2004 school year.

For July 2003 and August 2003, we compared students reported by the Academy who ODE funded to Academy enrollment rosters, food service rosters, and weekly grade reports and determined whether students were enrolled and attended the Academy. Sixty-three students did not attend, purchase lunches, or receive grade reports from the Academy. As such, the Academy was not entitled to funding received from ODE for these 63 students.

FINDING NUMBER 2004-004
(Continued)

For these 63 students, we obtained the Community School Average Daily Membership (CSADM) database from ODE and identified the full-time equivalent (FTE) units funded by ODE for these students. We calculated the hours ODE funded by multiplying the identified FTE by the required 920 educational opportunity hours. Using this calculation, the Academy should not have received funding for 18,288 educational opportunity hours.

For FY 2004, ODE provided a base amount of \$5,058 plus a cost of doing business factor for a weighted foundation amount of \$5,437.35 for each student in attendance at the Academy. We divided the adjusted foundation amount by the maximum 920 hours of learning opportunities eligible for funding. Using the calculated hourly funding amount, we multiplied the unallowable 18,288 hours by the hourly FTE rate to calculate ODE's overpayment to the Academy of \$108,085 for services not rendered.

Using enrollment and attendance records for school year 2003, we determined one student funded by ODE was not enrolled or in attendance. As such, the Academy was not entitled to the \$5,320 in funding paid by ODE for this student.

Additionally, Wilson H. Willard III subsequently pleaded guilty and was convicted of, in part, one count of tampering with records related to this finding for recovery.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against W.E.B. Dubois Academy and Wilson H. Willard III, jointly and severally, in the amount of \$113,405, and in favor of the Ohio Department of Education on behalf of the students' resident school districts.

Of the 64 students indicated above, the Academy improperly received base foundation funding totaling \$113,405. The Academy also improperly received additional funding for four students identified as special education category two or category three students. Due to the complex nature of calculating the special education foundation payment amount, we will refer the calculation of the special education overpayment amount to the ODE for calculation.

FINDING NUMBER 2004-005

Finding for Recovery

Comparison of Services Rendered to Services Billed

For the period July 1, 2001 through June 30, 2004, the Academy provided instruction to the students nine hours per day year-round. We calculated each child's total available service hours by identifying the number of school days during the year the child could attend (taking into consideration their enrollment and withdrawal dates) and multiplied the number of days identified by nine hours. Total eligible hours were then compared to the hours recorded as paid by ODE to the Academy. The following table reflects, by School Year and County, the total hours overpaid and related payment:

School Year	County	Total Hours Overpaid	Amount of Overpayment
2002	Hamilton	1,964	\$11,048
2003	Hamilton	7,583	43,850
2004	Hamilton	<u>10,149</u>	<u>59,981</u>
		<u>19,696</u>	<u>\$114,879</u>

FINDING NUMBER 2004-005
(Continued)

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against W.E.B. Dubois Academy and Wilson H. Willard III, jointly and severally, in the amount of \$114,879 and in favor of the Ohio Department of Education on behalf of the students' resident school districts.

FINDING NUMBER 2004-006

Finding for Recovery

Refund of Tournament Fees

On March 4, 2004, the Academy issued a \$2,550 check to Hamilton-Fairfield Taekwondo for student tournament fees. On March 13, 2004, David Huffstutler, owner, issued a \$300 tournament fee refund to the Academy for non- participating students. Rather than depositing the \$300 check into the Academy's bank account, it was deposited into Wilson H. Willard III's personal bank account on March 19, 2004.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Wilson H. Willard III in the amount of \$300 and in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-007

Finding for Recovery

Donation

On March 14, 2004, Wilson H. Willard, Jr. issued a \$600 check made out to Equal Playing Field Foundation ("EPF") with Wilson H Willard III written above the payee line on the check. The EPF Foundation bank account contained funds belonging to the Academy which were either expended for the Academy's expenses or transferred to the Academy's main bank account. Rather than depositing this check into the EPF Foundation bank account, it was deposited on March 19, 2004 with other checks into Wilson H. Willard III's personal bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Wilson H. Willard III in the amount of \$600 and in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-008

Finding for Recovery

Clerical Services Contract

Ohio Rev. Code, Section 3314.03(A)(11)(d), requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. **Ohio Rev. Code, Section 149.43(B)**, states, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

FINDING NUMBER 2004-008
(Continued)

An agreement and associated payment plan between "Andrea Peterson Clerical" and the Academy was provided to document the payment was for clerical services. The agreement, signed by Ms. Peterson and Mr. Willard, stated Ms. Peterson's duties included "(M)aintaining of records, filing, faxing, copying (SIC), organizing securing and maintaining the privacy of all students." In addition, Ms. Peterson was to present a timesheet at the end of each week for "verification and signature." On August 29, 2003, a \$15,000 check was issued by the Academy to Andrea Peterson. The check was endorsed by Ms. Peterson, and signed by Wilson H. Willard III, the former Superintendent and Shirley Mason, former Business Manager.

Interviews with current and former Academy employees indicated Ms. Peterson did not provide clerical services. In a March 7, 2007 interview, Ms. Peterson stated she was compensated separately for assisting in the Academy's kitchen and performing clean-up duties in November and December 2003. Ms. Peterson also stated she did not own a company and did not perform clerical services at the Academy. As such, we were unable to determine the \$15,000 payment was related to school operations. Additionally, Wilson H. Willard III subsequently pleaded guilty and was convicted of, in part, one count of theft related to this finding for recovery.

The Academy's failure to maintain adequate support for expenditures represents a pattern of abuse which could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Wilson H. Willard III, Andrea Peterson, and Shirley Mason, jointly and severally, in the amount of \$15,000 and in favor of W.E.B. Dubois Academy.

FINDING NUMBER 2004-009

Noncompliance Citation

Deposit of Receipts

Ohio Rev. Code, Section 9.38, provides that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day following the day of receipt.

In reviewing items deposited, we identified checks which were deposited up to 36 days after the issuance date during the 03-04 school year. In addition, proper documentation was not maintained to determine when the checks were received by the school. Failure to deposit funds in a timely manner can result in public funds being inadequately safeguarded and can increase the risk of misappropriation of public funds.

FINDING NUMBER 2004-009
(Continued)

To reduce the risk of loss of funds and non compliance with Ohio law, the Academy should adopt a policy outlining procedures to comply with the deposit of funds as designated by Ohio Revised Code Section 9.38.

FINDING NUMBER 2004-010

Reportable Condition

The Academy should maintain an accounting system and accounting records sufficient to enable them to identify, assemble, analyze, classify, record and report their transactions, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Academy did not maintain leave records documenting leave accumulated and used, or the outstanding balance for each employee. As noted in Finding 2004-003, the former Superintendent received a cash payment for 14 days of unused vacation in the amount of \$5,367. We were not able to verify his outstanding leave balance at June 30, 2004.

Failure to maintain accurate leave records and subsequent leave balances could result in employees being compensated for time they are not entitled to receive. We recommend the Academy maintain detailed leave records for each employee. These records should document leave accrued and used during the year, as well as each employee's outstanding balance.

FINDING NUMBER 2004-011

Reportable Condition

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

When designing the system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

The Academy did not have adequate monitoring controls in place. The following internal control weaknesses were noted:

- Prior audit findings had not been addressed or corrected.
- Bank reconciliations were incomplete and did not include all bank accounts. There was no evidence of Board review of reconciliations.
- Fifty-one percent of expenditures reviewed were made without proper supporting documentation or evidence of Board review and approval, resulting in multiple findings for recovery.
- The Board met only three times during the year and the minutes indicate the Board reviewed only four financial reports during the year.

FINDING NUMBER 2004-011
(Continued)

- The Board approved minutes from the prior Board meeting on May 5, 2004 without a quorum.
- An inconsistent system of using purchase orders was in place; and when purchase orders were used they were not approved by the former Business Manager and/or the former Superintendent;

The above internal control weaknesses increase the risk of misstatements in the financial records, unauthorized purchase of goods or services, and misappropriation of school assets; and could result in an environment which promotes possible fraud risk or misappropriation of funds.

Monitoring controls should be put into place by the Board to help assure that work being performed, laws implemented and reports generated are meeting the objectives of the Board and Management. Monitoring controls should be performed by someone independent of those performing the tasks.

These controls should include, but are not limited to, the following:

- Appointing a committee to review audit reports and monitor corrective actions.
- The Board should review monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements and outstanding checklists, deposits in transit), and all expenditures/checks. The Board should receive this information prior to the regular meetings so that members have an opportunity to review the information and ask informed questions. The Board's approval of these reports should be documented in the minutes.
- The Board should meet on a regular basis with a quorum so that irregularities may be addressed in a timely and effective manner.
- Prior authorization of a purchase through the use of a purchase orders that are approved by appropriate members of management. The purchase order should include appropriate fund and account coding.
- Obtain/review (prior to authorization for payment) and maintain appropriate supporting documentation for all expenditures (original invoices);
- Compare invoices with purchase orders and copies of checks to ensure all supporting documentation reconciles prior to payment;

FINDING NUMBER 2004-012

Reportable Condition

The Academy has maintained an outside bank account since October 2003 that was not included on their books. The account is with PNC bank under the name "Equal Playing Field Corporation." The Equal Playing Field Corporation is a non-profit organization incorporated in 1999 when the school was formed. The Equal Playing Field Corporation does business as (dba) the W.E.B. Dubois Academy.

The 2003-2004 activity for the Equal Playing Field bank account has been included in the June 30, 2004 financial statements. Adjustments to the Academy's accounting records and financial statements were made to increase receipts by \$9,117; increase disbursements by \$6,616; and increase the fund balance by \$2,501.

To maintain accurate financial information for the Academy, we recommend the Academy include all information regarding school bank accounts on their books.

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**W.E.B. DUBOIS ACADEMY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Revised Code, section 3314.03(A)(8) – failure to maintain adequate financial records.	Yes	
2003-002	Failure to have sufficient monitoring controls in place.	No	Reissued as Finding 2004-011
2003-003	Failure to have sufficient monitoring controls in place over the purchasing cycle.	No	Reissued as Finding 2004-011
2003-004	Failure to have sufficient monitoring controls in place over the payroll cycle.	Yes	
2003-005	Failure to have sufficient monitoring controls in place over the federal purchasing cycle.	N/a	Finding no longer valid.
2003-006	Failure to have sufficient monitoring controls in place over the federal payroll cycle.	N/a	Finding no longer valid.



Mary Taylor, CPA

Auditor of State

W.E.B. DUBOIS 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
APRIL 2, 2009