



**Mary Taylor, CPA**  
Auditor of State



**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances For the Period Ended November 14, 2007 and the Year Ended June 30, 2007 .....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	26

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ida B. Wells Community Academy  
Summit County  
c/o Richland Academy of the Arts  
75 North Walnut Street  
P.O. Box 1179  
Mansfield, Ohio 44901

To the Board of Governors:

We have audited the accompanying financial statements of the Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the period ended November 14, 2007 and the year ended June 30, 2007. 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.

Ohio Administrative Code Section 117-2-03 (B) requires the Academy to prepare its annual financial report in accordance with accounting principles generally accepted in the United State of America. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Academy as of and for the period ended November 14, 2007 and the year ended June 30, 2007 in accordance with accounting principles generally accepted in the United States of America.

The Academy has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

As described in Note 13, the Academy terminated operations effective November 14, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - OPERATING FUND  
FOR THE PERIOD ENDED NOVEMBER 14, 2007  
AND THE YEAR ENDED JUNE 30, 2007**

	<b>Period Ending November 14, 2007</b>	<b>Fiscal Year Ending June 30, 2007</b>
<b>Operating Cash Receipts:</b>		
State Foundation	\$193,341	\$576,753
Extracurricular Activities		1,719
Earnings on Investments		983
Other		5,048
	<u>193,341</u>	<u>584,503</u>
<b>Operating Cash Disbursements:</b>		
Salaries	100,487	384,952
Employee Fringe Benefits	39,090	106,543
Purchased Services	42,752	184,478
Supplies and Materials	4,392	38,393
Other	1,821	22,728
Debt Service:		
Redemption of Principal	2,666	995
Interest and Other Fiscal Charges	1,012	2,558
	<u>192,220</u>	<u>740,647</u>
Total Operating Cash Disbursements		
	<u>192,220</u>	<u>740,647</u>
Operating Income/(Loss)	<u>1,121</u>	<u>(156,144)</u>
<b>Non-Operating Cash Receipts:</b>		
State and Federal Grants	30,746	138,760
Loan Proceeds		10,300
	<u>30,746</u>	<u>149,060</u>
Total Non-Operating Cash Receipts		
	<u>30,746</u>	<u>149,060</u>
Net Receipts Over Disbursements	31,867	(7,084)
Fund Cash Deficit, Beginning	<u>(11,794)</u>	<u>(4,710)</u>
<b>Fund Cash Balances/(Deficit), Ending</b>	<b><u>\$20,073</u></b>	<b><u>(\$11,794)</u></b>

*The notes to the financial statements are an integral part of this statement.*

**This page intentionally left blank.**



**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007**

**1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY**

Ida B. Wells Community Academy (the Academy) is a nonprofit §501(c)(3) corporation established pursuant to Ohio Revised Code Sections 3314 and 1702 to educate students in kindergarten through sixth grade. The Academy, which is part of the State's education program, 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. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

On May 10, 2006, the Academy signed an agreement with the Richland Academy of the Arts (the Sponsor) to sponsor the Academy for a five year period beginning on June 1, 2006.

The Academy operates under a self-appointing, five-member Board of Governors (the Board). The Board is responsible for carrying out the provisions of the contract which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by two non-certified and eight certified full-time teaching personnel who provide services to 40 students.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the Academy has chosen to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 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. However, Ohio Rev. Code Section 3314.03(A)(11)(d) requires the Academy to comply with section 5705.391(A) of the Ohio Rev. Code, which requires the Academy to adopt a spending plan annually. The spending plan must include five year projections of revenues and expenditures.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

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

**C. Cash**

All cash received by the Academy is maintained in a demand deposit account.

**D. Intergovernmental Revenues**

The Academy currently participates in the State Foundation Program, which is reflected under "State Foundation" on the Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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.

**E. Property, Plant, and Equipment**

The Academy records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**F. Operating Cash Receipts and Cash Disbursements**

Operating cash receipts are those revenues that are generated directly from the Academy's primary activities. For the Academy, these revenues are primarily State Foundation payments. Operating cash disbursements are necessary costs incurred to provide the goods and services that are the primary activities of the Academy. Cash receipts and cash disbursements not meeting this definition are reported as non-operating.

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits with Financial Institutions**

At November 14, 2007, the carrying amount of the Academy's deposits was \$20,073, and the bank balance was \$38,042. As of November 14, 2007, all of the bank balance was covered by federal depository insurance.

At June 30, 2007, the carrying amount of the Academy's deposits was (\$11,794), and the bank balance was \$20,013. As of June 30, 2007, all of the bank balance was covered by federal depository insurance.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

As of November 14, 2007 and June 30, 2007, the Academy had no investments.

**4. LINE OF CREDIT**

During the period, the Academy had a revolving bank line-of-credit with an interest rate ranging from 9.50% to 10.25% with National City Bank. The Academy borrowed \$24,000 and paid a total of \$995 from this account, and paid interest expense of \$3,570. There is an outstanding liability of \$23,920 and \$24,125 for the line-of-credit at November 14, 2007 and June 30, 2007, respectively. There is no required repayment schedule.

**5. LOANS PAYABLE**

During the period, the Academy obtained multiple loans in order to maintain operations. The Academy's former Executive Director and acting Chief Administrative Officer, Dr. Edward Crosby, loaned the Academy a total \$10,300, in the form two interest-free loans. The Academy repaid \$2,666 on the loans. There is an outstanding liability of \$7,634 and \$10,300 for the loans at November 14, 2007 and June 30, 2007, respectively. There is no required repayment schedule.

**6. 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 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% 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% of annual covered salary was the portion used to fund pension obligations. 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 for pension obligations to SERS for the period ended November 14, 2007 was \$1,346 and for fiscal years ended June 30, 2007, 2006 and 2005 were \$8,887, \$30,859 and \$36,943, respectively; 100% has been contributed for the period ended November 14, 2007 and for fiscal years 2007, 2006 and 2005.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

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

**B. State Teachers Retirement System**

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 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio 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% 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 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 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% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 period ended November 14, 2007 was \$11,538 and for fiscal years ended June 30, 2007, 2006, and 2005 were \$38,707, \$60,431, and \$42,867 respectively; 100% has been contributed for the period ended November 14, 2007 and for fiscal years 2007, 2006 and 2005.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

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

**B. State Teachers Retirement System (Continued)**

Contributions to the DC and Combined Plans for fiscal year 2007 were \$645 made by the Academy and \$614 made by the plan members.

**7. POSTEMPLOYMENT BENEFITS**

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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.

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 cost 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% of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount equaled \$888 for the period ended November 14, 2007 and \$2,977 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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% 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% of covered payroll, compared to 3.42% of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 period ended November 14, 2007 and fiscal year ended June 30, 2007 equaled \$419 and \$2,763, respectively.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14% 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% of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**8. RISK MANAGEMENT**

**Property and Liability** - The Academy is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Contrary to Ohio Rev. code Section 3314.03(A)(11)(B), the Academy did not contract for property and general liability insurance during the periods November 4, 2006 to December 12, 2006 and April 3, 2007 to May 30, 2007.

**9. CONTINGENCES**

**A. Grants**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such adjustments will not have a material adverse effect on the financial position of the Academy.

**B. Pending Litigation**

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the US District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

**C. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. However, in the opinion of the Academy, any future adjustments will not have a material adverse effect on the financial position of the Academy.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007  
(Continued)**

**10. SPONSORSHIP FEES**

The Academy contracted with Richland Academy of the Arts as its sponsor effective June 1, 2006. The Academy pays the Sponsor three percent of the State Foundation. Total fees for the period ending November 14, 2007 were \$3,820 and for the fiscal year ending June 30, 2007 were \$16,780. The contract is for five years ending June 30, 2011. The Sponsor is to provide oversight, monitoring and technical assistance for the Academy.

**11. RELATED PARTY TRANSACTIONS**

Financial Accounting Standards Board (FASB) 57: "Related Party Disclosures", requires any transactions that occurred between related parties be disclosed. The following is a list of the related party transactions that occurred:

- On July 11, 2005, the Academy entered into a lease agreement with HieroGraphics Online, LLC. The lease agreement is a 20 year building lease for classroom space. During the period, the Academy paid \$17,497 including \$11,600 for rent and \$2,666 on outstanding loans to HieroGraphics Online, LLC. HieroGraphics Online, LLC is owned by the Academy's former Executive Director and acting Chief Administrative Officer, Dr. Edward Crosby. Additionally, Dr. Crosby is the father of the Academy's Instructional Leader, Kofi Khemet, and father-in-law of the former Business Manager, Kelly Crosby. Note 5 to the financial statements provides additional information regarding the outstanding loans.
- The Academy's Instructional Leader, Kofi Khemet, also served as an ex officio voting member of the Board of Governors from February 5, 2007 through the Academy's closure.

**12. NONCOMPLIANCE**

Contrary to Ohio Admin. Code Section 117-2-02(D), certain revenues and expenses were not recorded in the accounting records.

Contrary to Ohio Admin. Code Section 117-2-03(B), the financial statements are not prepared using generally accepted accounting principles.

**13. SUBSEQUENT EVENTS**

On November 14, 2007 the Academy terminated operations due to financial instability. The following is a list of significant events that occurred subsequent to this date:

- On March 3, 2008, National City Bank withdrew \$34,886 from the Academy's checking account as repayment of an outstanding HieroGraphics Online, LLC loan, for which the Academy was listed as guarantor. The original amount of the loan was \$75,000. The remaining amount outstanding after this payment was \$35,747.
- On April 19, 2008, the Sponsor held a public auction to sell the Academy's remaining assets. The net auction proceeds amounted to \$3,323, which was deposited into a joint bank account held in the name of the Academy and Sponsor.

**This page intentionally left blank.**





# 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*

Ida B. Wells Community Academy  
Summit County  
c/o Richland Academy of the Arts  
75 North Walnut Street  
P.O. Box 1179  
Mansfield, Ohio 44901

To the Board of Governors:

We have audited the financial statements of Ida B. Wells Community Academy, Summit County, Ohio, (the Academy) as of and for the period ended November 14, 2007 and the year ended June 30, 2007, and have issued our report thereon dated November 30, 2009, with an adverse opinion on the Academy's accompanying financial statements because they do not present fairly the financial position, results of operations, and cash flows, where applicable, in accordance with accounting principles generally accepted in the United States of America. In addition, we noted the Academy terminated operations effective November 14, 2007. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined 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 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 affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-004, 2007-005, and 2007-013 through 2007-018 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-004, 2007-005, and 2007-016 are also material weaknesses.

We also noted certain matters that we reported to the Academy's management in a separate letter dated November 30, 2009.

#### **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 2007-001 through 2007-012.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated November 30, 2009.

We intend this report solely for the information and use of management, the Board of Governors, and the sponsor of the Academy. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND THE YEAR ENDED  
JUNE 30, 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Finding for Recovery**

**Ohio Rev. Code Section 149.43(B)** provides, in part, that public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. A public office shall organize and maintain public records in a manner that they can be made available for inspection or copying. In addition, **Ohio Rev. Code Section 3314.03(A)(8)** provides that a contract entered into between a sponsor and the governing authority of a community school shall require financial records of the school to be maintained in the same manner as are financial records of school districts.

On August 15, 2006, Dr. Edward Crosby, PhD, issued and endorsed a bank memo check made payable to cash in the amount of \$7,000. During this period, he was not employed by the Academy and was not an authorized signatory for the Ida B. Wells Community Academy. Additionally, supporting documentation was not provided for this transaction.

Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and could possibly result in expenditures that are not for a proper public purpose.

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 Dr. Edward Crosby, PhD, in the amount of \$7,000, and in favor of the Ida B. Wells Community Academy.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

**Finding for Recovery**

**Ohio Rev. Code Section 149.43(B)** provides, in part, that public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. A public office shall organize and maintain public records in a manner that they can be made available for inspection or copying. In addition, **Ohio Rev. Code Section 3314.03(A)(8)** provides that a contract entered into between a sponsor and the governing authority of a community school shall require financial records of the school to be maintained in the same manner as are financial records of school districts.

The Academy's Instructional Leader, Kofi Khemet, could not provide supporting documentation for the following transactions:

- August 25, 2006, he made a counter cash withdrawal from the Academy's bank account in the amount of \$515.
- September 8, 2006, he issued, endorsed, and cashed a bank memo check made payable to cash in the amount of \$200.

**FINDING NUMBER 2007-002 (Continued)**

- December 6, 2006, an official bank check in the amount of \$819 was made payable to Community Academy and was withdrawn from the Academy's bank account by Kofi Khemet, but not deposited into another Academy bank account.

Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and could possibly result in expenditures that are not for a proper public purpose.

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 Kofi Khemet, the Academy's Instructional Leader, in the amount of \$1,534, and in favor of the Ida B. Wells Community Academy.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

**Finding for Recovery**

On February 15, 2006, Dr. Edward Crosby, PhD, signed a \$75,000 promissory note between National City Bank as the lender and Hierographics Online, LLC as the borrower. Dr. Crosby also signed a commercial guaranty for this loan with Ida B. Wells Community Academy, Inc. as the guarantor. However, he was not authorized by the Board of Governors to sign this commercial guaranty obligating the Academy, and none of the note proceeds were used for the benefit of the Academy. On March 3, 2008, National City Bank debited the Academy's bank account in the amount of \$34,885 as a payment on the promissory note.

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 Hierographics Online, LLC and Dr. Edward Crosby, PhD, jointly and severally in the amount of \$34,885, and in favor of the Ida B. Wells Community Academy.

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Material Weakness**

**Ohio Admin. Code Section 117-2-02(D)** requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

### FINDING NUMBER 2007-004 (Continued)

(3) Payroll records including:

- a. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments; and
- b. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.

During 2007, \$18,035 in revenues and \$36,039 in expenses were processed through a checking account which was not part of the Academy's regular accounting system ("USAS"). Additionally, detailed accounting records supporting this activity were not maintained during the fiscal year. A key control in maintaining accurate financial records is to ensure all financial activity is timely and accurately recorded. Financial statements could be materially misstated by processing financial activity through a system other than the main accounting system. The financial statements were adjusted to reflect the revenues and expenses noted above. However, the proper financial statement classifications could not be determined for \$1,013 in revenues and \$8,539 in expenses. These amounts were recorded as part of other receipts and disbursements in the accompanying financial statements.

The Academy should process all of its financial activity through its regular accounting system to help ensure detailed records are created and maintained in accordance with Ohio Admin. Code Section 117-2-02(D).

### FINDING NUMBER 2007-005

#### Noncompliance Citation/Material Weakness

**Ohio Admin. Code Section 117-2-03(B)** states, in part, all community schools shall file annual financial reports which are prepared using generally accepted accounting principles.

For fiscal year 2007, the Academy prepared its financial statements on the basis of accounting formerly prescribed and permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The Academy may be fined and may receive a qualified audit opinion, up to and including an adverse opinion, as described in the AICPA's *Audit and Accounting Guide Audits of State and Local Governments (GASB 34 edition)*.

### FINDING NUMBER 2007-006

#### Noncompliance Citation

**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**. Additionally, **Ohio Rev. Code Section 149.43(B)** indicates all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection.

### FINDING NUMBER 2007-006 (Continued)

The Academy was unable to provide us with the following records:

- Supporting invoices for 4 of 40 (10%) non-payroll expenditures selected for testing, amounting to \$40.38;
- Canceled checks for 6 of 6 (100%) National City Bank non-payroll checks tested and 23 of 23 (100%) National City Bank payroll checks tested;
- Copies of the backs of 13 of 13 (100%) canceled Richland Bank non-payroll checks tested;
- Notice of Offer of Appointment sheets for 13 employees tested;
- Ohio Department of Education Treasurers License for Steve Sites;
- Attendance records and other Educational Management Information System (EMIS) data used to calculate the Academy's Average Daily Membership (ADM);
- Official signed minutes for the August 26, 2006 Board of Governors meeting;
- On August 24, 2006, it appears the Board of Governors approved a resolution temporarily appointing Dr. E.W. Crosby to the Chief Administrative Officer position; however we were not provided with any documentation indicating a open public meeting was held on this date; and
- Evidence of any Internal Revenue Service Form 990's filed during 2006 and 2007.

Although these records were not provided, we were able to perform alternative procedures. Additionally, the Academy has not developed a formal public records policy detailing their procedures for fulfilling these public records requests.

A key control in record keeping is to ensure all public records are maintained in an orderly manner to minimize the likelihood of records being lost or misplaced and readily available for a public records request. Missing records increases the likelihood of material financial statement amounts not being reported accurately since there is no supporting documentation for how the amounts are reported.

The Academy should develop a formal policy regarding procedures for making public records available, including copy costs. Additionally, the Academy should implement procedures to ensure its public records are maintained in such a manner they can be made available for inspection. These recommendations will help the Academy ensure it is in compliance with the Ohio Revised Code.

### FINDING NUMBER 2007-007

#### Noncompliance Citation

**Ohio Rev. Code Section 117.38** requires, in part, GAAP-basis entities file annual reports with the Auditor of State within 150 days of the fiscal year end. These forms must be filed on the forms prescribed by the Auditor of State. Any public office which does not file the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer. The Auditor of State may provide waivers of these dates and penalties in certain circumstances.

The Academy did not file its annual report for fiscal year 2006 until May 11, 2007, more than 150 days after the fiscal year end. In addition, the Academy had never filed its annual report for fiscal year 2007. The Academy also did not publish a notice indicating its financial report was available for public inspection. The Academy should file its annual report within 150 days of the fiscal year end and should notify the public the annual report is available for public inspection at the Academy by publishing a notice in a local newspaper.

#### FINDING NUMBER 2007-008

##### Noncompliance Citation

**Ohio Rev. Code Section 5705.391(A) and Ohio Admin. Code Section 3301-92-04** require school districts, including community schools, prepare five year projections of revenues and expenditures. The five year projections must be submitted to the Department of Education upon the adoption of an annual appropriation measure but no later than October 31 of each fiscal year and an updated five year projection must be submitted between April 1 and May 31 of each fiscal year.

The Academy failed to prepare and submit their five year projection to the Department of Education during the appropriate time periods.

The Academy should prepare a five year projection and submit it to the Department of Education no later than October 31 and an updated version between April 1 and May 31 of the fiscal year. The Academy should also retain documentation they submitted the five year projection.

#### FINDING NUMBER 2007-009

##### Noncompliance Citation

**Ohio Rev. Code Section 3314.03(A)(11)(b)** requires the governing authority of each community school to purchase liability insurance, or otherwise provide for the potential liability of the school.

From November 4, 2006 through December 12, 2006 and April 3, 2007 through May 30, 2007, the Academy was not covered by liability insurance. The Academy should ensure it is covered by adequate liability insurance at all times to help protect it from potential litigation and liability.

#### FINDING NUMBER 2007-010

##### Noncompliance Citation

**Ohio Admin. Code Section 117-6-07 (B) and the Contract for Ohio Community School, Article IX, Section 9.4** provides, in part, the fiscal officer of a community school shall execute a bond prior to entering upon the duties of fiscal officer and the bond shall be in an amount and with surety to be established by a resolution of the governing authority. In addition, the bond shall be payable to the State of Ohio.

The Academy could not produce evidence of a bond executed by Treasurer Dale Thompson prior to taking office. Additionally, per review of the minutes, the Board did not formally establish the amount of the Treasurer's Bond through resolution.

The Academy should require the Treasurer obtain a bond, in an amount formally established by Board resolution, and the bond should be payable to the State of Ohio.

### FINDING NUMBER 2007-011

#### Noncompliance Citation

**Ohio Rev. Code Section 3314.011** requires that, prior to assuming the duties of fiscal officer, the fiscal officer designated under this section be licensed under section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete an additional twenty-four hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school within one year after assuming the duties of fiscal officer of the school. However, any such classes, courses, or workshops in excess of sixteen hours completed by the fiscal officer prior to assuming the duties of fiscal officer shall count toward the additional twenty-four hours of continuing education required under this section. In each subsequent year, any fiscal officer who is not licensed under section 3301.074 of the Revised Code shall complete eight hours of continuing education classes, courses, or workshops in the area of school accounting as approved by the sponsor of the school.

The Academy did not provide evidence indicating former Treasurer Steve Sites was either licensed under section 3301.074 of the Revised Code or completed the required continuing education classes prior to him assuming the duties of fiscal officer in April 2007. Prior to assuming his duties, the Treasurer should provide the Academy with a valid copy of his license or evidence he has completed the required continuing education classes. Additionally, the Board should review items provided and ensure all applicable requirements are met. This will help ensure the Academy is employing qualified and knowledgeable individuals.

### FINDING NUMBER 2007-012

#### Noncompliance Citation

#### **Ohio Department of Education (ODE) Community School Closing Procedures**

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

On November 5, 2007, the Board of Governors authorized the termination of the Academy with the official closing date being November 14, 2007.

The Board was responsible for performing certain actions outlined in the Community School Closing Procedures Guidance document. This guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken by sponsors in the past; as well as relevant information which may be needed at some future point, after the school closes. The Board did not perform all of the actions outlined in the Community School Closing Procedures Guidance document. The Academy failed to address the following closing procedures:



**FINDING NUMBER 2007-012 (Continued)**

- Ensure student Individualized Education Programs (IEPs) continue to be implemented by the receiving district in case of closure by contacting and sending records directly to special education administrators. This may be simply providing the receiving districts with copies of the IEPs so there is no gap in services, or it could require an IEP meeting between the Community School staff and the receiving district. This is important for all students with disabilities, but particularly so, for students with physical needs or low incidence disabilities. Another reason why this is important would be if specialized transportation was required.
- Notify the school's staff of the decision to close the school:
  1. Review the history of the school; its accomplishments;
  2. Provide the reasons for closing;
  3. Share the governing authority's commitment to the staff:
    - a. facilitate employment at other community schools;
    - b. ensure that STRS and SERS contributions are current;
    - c. clarify COBRA benefits and when medical benefits end;
    - d. ensure each faculty's LPDC information is current and available to the teachers;
    - e. remind the faculty of their contractual obligation to teach up to the date of closing; and,
    - f. provide sponsor contact person information to all staff;
  4. Provide a clear written timeline of the closing process.
- Submit all Public Charter School Program FER and APR reports.
- Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported (note: all fiscal year EMIS data must be submitted even if the school closes prior to the required submission date).
- Notify the ITC and the Office of Community Schools to eliminate all SAFE, CCIP and other ODE account logins for personnel associated with the closed school with the exception of designated reporting personnel.
- Notify the traditional public district in which the community school is located and all traditional public school districts providing transportation to the community school.
- Keep State and Federal assets separated for purposes of disposition. State dollars cannot be used to pay federal liabilities and visa-versa. Account for all school property throughout the closing process by distinguishing state from federal dollars:
  1. Utilize a fixed assets list and inventory to account for all items;
    - a. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets;
    - b. Establish check off list of purchasers with proper PCSP Federal codes (599), state codes (001,499), the price of each item and the source of funds;
    - c. Establish a payment process (e.g. checks, cash, credit cards, etc.); and,
    - d. Establish disposition plan for any remaining items.

**FINDING NUMBER 2007-012 (Continued)**

- Make disposition of the school's fixed assets:
  1. Offer real property acquired from a public school district to that school district's board first, and at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
  2. Current federal Public Charter School Program (PCSP) grant period assets must first be offered to other community schools within the same region in which the school is located and with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets;
    - a. Provide board resolutions and minutes of any transfer of assets with a dollar value of "0" to another school;
    - b. Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
  3. As stated above in #2, assets must first be offered to other community schools, and then any remaining assets purchased from funds prior to the current USDOE award grant period may be offered to any public school district with documented board resolutions by the community school and the accepting district.
  
- Utilize only state dollars auction proceeds, foundation dollars and any other income to pay the following in order:
  1. STRS/SERS/retirement and other adjustments;
  2. Teachers and staff;
  3. Employment taxes and Federal taxes;
  4. Audit preparation (prepared financials);
  5. Private creditors;
  6. Foundation overpayments; and
  7. Resident school districts pro-rated for students attending the community school.
  
- Review and prepare the following itemized financials:
  1. A list payables and determine when a check to pay the liability clears the bank;
  2. A list of any petty cash and provide to sponsor; and
  3. A list of bank accounts, closing the accounts once all transactions are cleared.

**FINDING NUMBER 2007-013**

**Significant Deficiency**

**Negative Fund Balances**

At November 14, 2007 and June 30, 2007, we noted the following negative cash fund balances:

Fund	Fund Balance at <u>November 14, 2007</u>	Fund Balance at <u>June 30, 2007</u>
001 - General	(\$326,277)	(\$352,484)
516 - IDEA Part B	(2,373)	(7,030)
572 - Title I	(3,926)	(8,106)
590 - Impr. Teach. Q.	(12,590)	(17,153)
599 - Miscellaneous Federal Grants	(302)	(302)

**FINDING NUMBER 2007-013 (Continued)**

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds.

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

**FINDING NUMBER 2007-014**

**Significant Deficiency**

**Transfers**

The Academy executed \$546,459 in transfers from funds other than the general fund during fiscal year 2007. These transfers were not approved by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Additionally during fiscal year 2007, \$128,898 in transfers from the general fund were made without resolutions passed by a simple majority of the board members.

This could allow for unauthorized transfers between funds, thereby misstating fund balances. As a result, funds could be spent for purposes other than originally intended. Transfers should only be made after review and approval by the governing board.

**FINDING NUMBER 2007-015**

**Significant Deficiency**

**Bank Service Charges, Late Fees and Non-Sufficient Funds Fees**

The Academy was assessed numerous monthly and transaction-specific service charges by its financial institutions. Also, the Treasurer did not promptly remit payment for all of the Academy's expenditures for operations. These payments resulted in late fees being assessed to and paid by the Academy. Additionally, prior to the disbursement of funds, the Treasurer did not ensure the Academy had cash balances sufficient to cover all payments drawn on them, resulting in the Academy being assessed and paying non-sufficient funds fees during the period. If these errors are not detected timely, they may result in unnecessary expenses to the Academy. The amounts of these service charges, late fees and non-sufficient funds (NSF) fees are summarized below:

<u>Description</u>	<u>Total Amount Paid</u>
Bank Service Charges	\$ 1,382.73
Vendor Late Fees	1,941.70
Bank NSF Fees	376.00
Total	<u>\$ 3,700.43</u>

The Academy should either contact its financial institutions to negotiate the elimination of bank service charges or only contract with financial institutions that do not assess such charges. Also, the Treasurer should promptly remit payments for all of the Academy's expenditures to eliminate the unnecessary expenditure of public funds for the payment of late fees. Additionally, the Treasurer should also review the Academy's bank balances regularly to ensure they have balances sufficient to cover all payments drawn on them.

## **FINDING NUMBER 2007-016**

### **Material Weakness**

#### **Bank Reconciliations**

During the audit period, the Academy did not perform monthly bank to book reconciliations from July 2006 through March 2007. In addition, we noted the general account bank balances for April through November 2007 were reconciled to the books by reflecting a \$4,712.76 reduction in the depository balance each month, labeled as a "bank adjustment". This reduction is primarily attributed to three outstanding checks from June 2004 that were drawn on an account that has since been closed. These issues could allow for material reconciling errors remaining undetected for a long period of time resulting in material financial statement errors. Audit adjustments were posted to the accompanying financial statements.

The Academy should ensure the monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received) and all bank account activity is individually reflected within the monthly bank reconciliations. The bank reconciliations should include the detail of all reconciling items, and any discrepancies or stale reconciling items should be investigated and addressed promptly. These procedures may help ensure the Academy detects errors or irregularities timely, and the accounting records reconcile with the applicable bank balances.

## **FINDING NUMBER 2007-017**

### **Significant Deficiency**

#### **Treasurer's Monthly Report**

During the audit period, a Treasurer's monthly report was not presented to the Board of Governors at 8 of 13 (61.5%) regular monthly meetings. Additionally, the Board did not approve 3 of the 5 (60%) Treasurer's Monthly Reports presented to them. The lack of monitoring and approval could allow for material errors to occur and not be detected by management timely.

We recommend the Treasurer should provide the Board with the Treasurer's Monthly Report, and the Board should document receipt and review of these reports within the minutes. Also, a designated board member should sign (or initial) and date these reports as evidence of review. This will help ensure the proper monitoring of the Academy's financial activity is taking place.

## FINDING NUMBER 2007-018

### Significant Deficiency

#### Payroll Expenses

Our testing revealed numerous weaknesses with respect to the processing of payroll expenditures. These weaknesses could lead to inefficient operation of the Academy's finance functions, and financial statement errors. In addition, these weaknesses may compromise management's ability to effectively monitor the finances and make appropriate decisions for the Academy.

Our testing of 41 payroll disbursement transactions revealed:

- Nine transactions did not have timesheets or other documentation of hours worked for the pay period;
- One transaction for which the check date reported in the Uniform School Payroll System Check Status Report differed from the date actually printed on the check;
- Two transactions were charged to incorrect object or function codes.
- 2 of 20 (10%) Notice of Offer of Apportionment sheets were not signed by the Chair of the Board of Governors;
- An individual who was hired as an independent contractor, but was being paid as an employee and issued a W2;

These weaknesses could allow for material errors to occur in the financial statements without being detected by management timely. The Academy should implement procedures to ensure its payroll transactions are properly processed, documented and in accordance with the Academy's policies.

**Officials' Response:** We did not receive a response from the Officials' to the findings reported above.

**IDA B. WELLS COMMUNITY ACADEMY  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE PERIOD ENDED NOVEMBER 14, 2007 AND 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; <i><b>Explain</b></i>
2006-001	<b>Negative Fund Balances</b> – The Academy reported negative cash fund balances in numerous funds.	No	Not Corrected, reissued as Finding 2007-013



**Mary Taylor, CPA**  
Auditor of State

**IDA B. WELLS COMMUNITY ACADEMY**

**SUMMIT 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  
JANUARY 19, 2010**