



**Auditor of State
Betty Montgomery**

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance.....	3
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings	19

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Toledo Village Shule
Lucas County
c/o Lucas County Educational Service Center
2275 Collingwood Boulevard
Toledo, Ohio 43620-1148

To the Sponsor:

We have audited the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance of Toledo Village Shule, Lucas County, (the School) as of and for the year ended June 30, 2002. These financial statements are the responsibility of the School'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. As discussed in Note 2, the School chose to prepare its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the School as of June 30, 2002, and its cash receipts and disbursements for the fiscal period then ended on the basis of accounting described in Note 2.

As discussed in Note 1 to the financial statements, on April 11, 2002, the Sponsor, Lucas County Educational Service Center, notified the School of the non-renewal of the sponsor contract. The School suspended operations on June 14, 2002, the last student day on the school calendar. The sponsor officially closed the school at the end of the fiscal 2002 school year.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2003 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Sponsor and other officials authorized to receive this report under § 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 29, 2003

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FOR THE YEAR ENDED JUNE 30, 2002**

Operating Cash Receipts	
Foundation Payments	\$1,230,295
Disadvantaged Pupil Impact Aid	280,253
Special Education Program	51,083
Food Services	2,890
Extracurricular Activities	239
Other Operating Revenues	<u>23,450</u>
Total Operating Cash Receipts	<u>1,588,210</u>
Operating Cash Disbursements	
Salaries	790,489
Fringe Benefits	331,328
Purchased Services	609,055
Supplies and Materials	95,601
Capital Outlay	20,623
Other Operating Expenses	<u>101,408</u>
Total Operating Cash Disbursements	<u>1,948,504</u>
Operating Receipts Under Operating Disbursements	<u>(360,294)</u>
Non-Operating Cash Receipts	
Operating Grants - Federal	256,152
Operating Grants - State	10,403
Earnings on Investments	2,050
Contributions and Donations	<u>690</u>
Total Non-Operating Cash Receipts	<u>269,295</u>
Non-Operating Cash Disbursements	
Interest and Fiscal Charges	<u>251</u>
Total Non-Operating Cash Disbursements	<u>251</u>
Net Receipts Under Disbursements	(91,250)
Cash Balance at Beginning of Year	<u>86,236</u>
Cash Deficit at End of Year	<u><u>(\$5,014)</u></u>

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

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**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Toledo Village Shule, Lucas County, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status. The School's objective is to provide a year-round, holistic educational environment, serving grades K -6, in which cognitive and creative learning is blended with emotional and social growth, in order to foster students' learning from each other, their families, their communities, and their teachers, thereby integrating students' intellectual, social, and cultural worlds. The School, 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 School may acquire facilities as needed and contract for any services necessary for the operation of the school.

The School was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing August 12, 1998. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operated under the direction of a seven member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controlled the School's two instructional/support facility staffed by 14 non-certified and 23 certified teaching personnel who provided services to 291 students.

Closing of the School

On April 11, 2002, the Sponsor, Lucas County Educational Service Center, notified the School of the non-renewal of the sponsor contract. The School suspended operations on June 14, 2002, the last student day on the school calendar.

The Sponsor officially closed the school at the end of the fiscal 2002 school year. In accordance with the sponsorship agreement, all remaining assets of the School revert to the sponsor, subject to any security interest any third party has in an asset, and in no event will the Sponsor assume any debt by becoming the owner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chose to prepare its financial statements on a basis of accounting that is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

B. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in School's contract with its Sponsor. The contract between the School and its Sponsor prescribed an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

C. Cash

All monies received by the School are accounted for by the School's Fiscal Director. All cash received by the Fiscal Director is maintained in a bank account in the School's name or temporarily used to purchase short-term investments.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. Intergovernmental Revenues

The School participated in the State Foundation Program, State Disadvantaged Pupil Impact Aid (DPIA), and the Special Education Programs. Revenues from these programs are recognized as operating revenues in the accounting period in which they are received.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. During 2002, the School received \$50,000, to offset costs of the school.

Revenue from this program is recognized as non-operating revenue on the accompanying financial statements.

3. DEPOSITS

At June 30, 2002, the School had a cash deficit of \$5,014. The bank balance was a deficit balance of \$94.

4. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is established 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion to fund pension obligations for the fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$11,249, \$12,868, \$7,675, respectively; 100 percent has been contributed for fiscal year 2002, 2001, and 2000.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for the year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$55,524, \$49,923, and \$16,543, respectively; 100 percent has been contributed for fiscal year 2002, 2001, and 2000.

5. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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.

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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount was \$26,301.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. For the School, the amount to fund health care benefits, including the surcharge, was \$17,594 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

6. OTHER EMPLOYEE BENEFITS

Employee Medical, Dental, and Vision Benefits

The School contracted through the Sponsor to provide medical, dental and vision insurance to its full time employees who work 40 or more hours per week.

7. RISK MANAGEMENT

A. Property and Liability

The School 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 the fiscal year 2002, the School contracted with Harcum-Hyre Insurance Agency for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 aggregate limit and no deductible.

Professional liability is protected by insurance coverage through Harcum-Hyre Insurance Agency with a \$2,000,000 single occurrence limit and \$5,000,000 aggregate and no deductible. Vehicle coverage is protected by Harcum-Hyre Insurance Agency with a \$1,000,000 combined single limit of liability.

B. Workers' Compensation

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

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

8. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...."The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

9. CONTINGENCIES

A. Grants

The School received financial assistance from 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 funds. Any such disallowed claims from such audits could become liabilities of the School.

B. Ohio Community School Program

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the State constitution and State laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues.

10. PURCHASED SERVICE EXPENSES

For the fiscal year June 30, 2002, purchased service expenses were payments for services rendered, as follows:

PURCHASED SERVICES	
Lease Agreements	\$235,244
Contract Food Services	81,109
Contracted Services	82,547
Utilities	31,934
Legal	28,551
Insurance	18,670
Accounting	8,200
Other Services	122,800
	<hr/>
	\$609,055
	<hr/> <hr/>

11. OPERATING LEASES

The School has entered into a sub-lease for the period August 1, 1998 through June 30, 2003 with "Neighborhoods in Partnership" to lease 14,400 square feet of space for a school facility. Payments

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)**

made totaled \$109,629 for the fiscal year. The building which houses the School is owned by IBC Corporation. The School has the option to renew the sub-lease at an inflation-adjusted rate for three additional five year term.

The School entered into an operating lease with Luttenberger & Company for additional school facility at a different site, known as the Macomber Site, for the period February 1, 2000 to June 30, 2003. Payments made totaled \$113,300 for the fiscal year. The School has the option to renew the lease for two additional five-year terms, with rent increases of 3 percent over the previous year's rent, rounded to the nearest ten dollars.

The School has entered into an operating lease commencing August 17, 1999 for a term of 48 months for a copier. Payments made totaled \$6,353 for the fiscal year. The copier is owned by General Electric Capital Corporation.

The School has entered into two separate leases commencing August 14, 1998 for a term of 24 months and 48 months for computers. Payments made totaled \$5,962 for the fiscal year. The computers are owned by Fleet Leasing Corporation.

All leases were cancelled when the school suspended operations.

12. RELATED PARTIES

During the fiscal year, the School's Governing Board entered into a one -year employment contract with the Executive Director. The Executive Director is a member of the Governing Board, and the Executive Director's spouse is also a member of the Governing Board. Total payments to the Executive Director were \$73,730, which includes salary and reimbursements.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Toledo Village Shule
Lucas County
c/o Lucas County Educational Service Center
2275 Collingwood Boulevard
Toledo, Ohio 43620-1148

To the Sponsor:

We have audited the financial statements of Toledo Village Shule, Lucas County, (the School) for the year ended June 30, 2002, and have issued our report thereon dated September 29, 2003, which we noted that the School suspended operations on June 14, 2002, the last student day on the school calendar, and the sponsor officially closed the school at the end of the fiscal 2002 school year. In addition, we noted the School chose to prepare its financial statements on a comprehensive basis of accounting other than accounting principles generally accepted in the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-012.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2002-013 through 2002-014.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

This report is intended for the information and use of the Sponsor and is not intended to be and should not be used by anyone other than this specified party.

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

Betty Montgomery
Auditor of State

September 29, 2003

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2002**

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

FINDING NUMBER 2002-001

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On October 25, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to herself (check #5521) for \$2,000 to be used to bid on "Hopscotch Happiness", an item for auction as part of the "It's Reigning Frogs" campaign in the City of Toledo.

Ms. Wilson was unsuccessful in obtaining the item at the auction and there was no evidence provided that the \$2,000 was returned to the school.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$2,000 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-002

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On January 4, 2002, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to herself (check #5746) for \$2,000 to be used for a winter retreat for school staff at the Erie Island Resort.

Ms. Wilson submitted receipts for expenditures for the retreat totaling \$1,142 and there was no evidence provided that the remaining \$858 was returned to the school.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$858 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-003

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

**FINDING NUMBER 2002-003
(Continued)**

On September 30, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to herself (check #5423) for \$1,200 to be used to purchase a video camera.

There were no receipts provided to substantiate how the \$1,200 was spent, nor was there any video camera on the seized inventory listing provided by the sponsor.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$1,200 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-004

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On September 30, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to herself (check #5339) for \$361 for reimbursement for her cell phone.

There were no receipts or invoice provided to substantiate this reimbursement.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$361 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-005

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On September 30, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to herself (check #5063) for \$1,048 for "personal reimbursement".

There were no receipts provided to substantiate how the \$1,048 was spent.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$1,048 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-006

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On May 14, 2002, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to a Linda Stokes (check #6012) for \$200 for repairs to the school van. On May 16, 2002, Ms. Wilson wrote another check (#6014) for \$400 to Ms. Stokes for repairs to the school van for a total of \$600.

Receipts in the amount of \$171 for van repairs were presented and there was no evidence presented that the remaining \$429 was returned to the school.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$429 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-007

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On November 21, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to a Darlene Chandler (check #5655) for \$1,500 for "EMIS Reporting".

There was no supporting documentation to support this expenditure and efforts to locate Ms. Chandler were unsuccessful.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$1,500 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-008

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On August 31, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote a check to a Harold Moss (check #5279) for \$640.

**FINDING NUMBER 2002-008
(Continued)**

There was no supporting documentation or any other indication as to what the expenditure was for and efforts to locate Mr. Moss were unsuccessful.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$640 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-009

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

Gwendolyn Wilson, as Director of the Toledo Village Shule, wrote the following checks to a Lynda Gibson-Minor:

<u>Check #</u>	<u>Date</u>	<u>Amount</u>	<u>Description</u>
5170	08/08/01	\$175	Party Supplies, baby shower, open house
5320	09/13/01	20	Reimbursement for damaged property
5637	11/10/01	200	Fabric and notions for dance costumes
6092	06/14/02	64	Drill Team (PO indicates Ms. Minor to bring receipts)
	Total	<u>\$459</u>	

There was no supporting documentation to support these expenditures and efforts to locate Ms. Gibson-Minor were unsuccessful.

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$459 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-010

Finding for Recovery

Ohio Revised Code § 117.28 requires audit reports to set forth all instances of any public money which has been illegally expended.

On July 26, 2001, Gwendolyn Wilson, as Director of the Toledo Village Shule, hand-wrote a check to Sam's Club (check #5110) in the amount of \$340 for "missing check".

A review of prior expenditures showed no previous check to this vendor for this amount. We contacted the vendor and were told information would only be released to a member. Dr. Wilson was unresponsive to our requests for additional information.

FINDING NUMBER 2002-010
(Continued)

In accordance with the foregoing facts, and pursuant to R.C. 117.28, a finding for recovery for public money illegally expended is hereby returned against Gwendolyn Wilson in the amount of \$340 in favor of the Toledo Village Shule.

FINDING NUMBER 2002-011

Noncompliance Citation

GAAP Report

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

FINDING NUMBER 2002-012

Noncompliance Citation

Federal Grant Accounting and Reporting

Ohio Department of Education Federal Fiscal Report Procedures requires that a final expenditure report (FER) be filed. The FER is to be submitted for each project immediately after all financial obligations have been liquidated. The FER is due no later than 60 days after the end of the project period. Failure to submit the FER in a timely manner may result in a temporary suspension of the flow of federal funds for this grant until the project is closed. Actual expenditures authorized by the approved project application and charges to the project special cost center are to be reported.

With the School closing as of June 30, 2002 and the project period ended on September 30, 2002, the School did not file the FER for all of the Title monies.

FINDING NUMBER 2002-013

Reportable Condition

Purchasing Policies and Procedures

The School did not have an adequate purchasing process and policy in place to support a favorable control environment to assist in preventing errors or misstatements from occurring and detecting errors which may have occurred.

**FINDING NUMBER 2002-013
(Continued)**

A favorable control environment for the processing of non-payroll disbursements may include, but are not limited to:

- Prior authorization of a purchase through the use of a purchase order which should be approved and documented through appropriate members of management and which should include appropriate coding for the expenditures;
- Accumulation of appropriate supporting documentation (original invoices) prior to authorization for payment;
- Detailed review of the invoice and supporting documentation indicating descriptions of the goods/services received and documentation on the invoice that the goods/services were received; (“okay to pay”)
- Matching of invoice with purchase order and copy of check or check stub to ensure all supporting documentation has been reviewed;
- Review of check used to pay the purchase and supporting documentation to ensure that the payee, amount, address, etc. on the check and invoice agree,
- Checks issued sequentially and review of all voided checks, and;
- Review of expenditures as posted to the expenditure ledger to ensure appropriate coding was utilized for payment.

Expenditures for goods and/or services were made without adequate supporting documentation (i.e., original invoices) for 7.47 percent of the transactions for the year. We applied additional procedures to try and obtain documentation for these expenditures and verify that they were valid commitments of the School. For the remaining unsupported expenditures, we issued Findings for Recovery (number 2002-001 to 2002-010) against the former Director of the School, Gwendolyn Wilson. It was also noted that checks were not always issued sequentially and that there were several voided checks.

These procedures are a key control in the disbursement process to assure that purchases are for actual goods received or services rendered within a proper public purpose.

FINDING NUMBER 2002-014

Reportable Condition

Payroll Policies and Procedures

The School did not have an adequate payroll process and policy in place to support a favorable control environment to assist in preventing errors or misstatements from occurring and detecting errors which may have occurred.

We were unable to locate employee contracts or other documentation of established rate for 21 of the 60 transactions tested and 11 of the 33 employees tested. In addition, there were errors noted with payroll not matching time sheets. These procedures are a key control in the payroll process to assure that amount paid is for actual services provided and at the rate authorized by the governing board.

**TOLEDO VILLAGE SHULE
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10148-001	Federal Fiscal Report Procedures, filing of final expenditure report	No	Not corrected. Repeated as # 2002-012.
2001-10148-002	Purchasing Policies and Procedures	No	Not corrected. Repeated as # 2002-013.



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800-282-0370

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TOLEDO VILLAGE SHULE

LUCAS 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
NOVEMBER 18, 2003**