



Mary Taylor, CPA
Auditor of State

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Statement of Cash Bank Balance - As of May 9, 2008 | 3 |
| Management's Discussion and Analysis For Fiscal Year Ended June 30, 2007 | 5 |
| Statement of Net Assets - As of June 30, 2007 | 9 |
| Statement of Revenues, Expenses, and Change in Net Assets – For the Fiscal Year Ended June 30, 2007 | 10 |
| Statement of Cash Flows - For the Fiscal Year Ended June 30, 2007 | 11 |
| Notes to the Basic Financial Statements For Fiscal Year Ended June 30, 2007 | 13 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 25 |
| Schedule of Findings..... | 27 |
| Schedule of Prior Audit Findings..... | 49 |

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Urban Youth Academy, Inc.
Clark County
1408 Clifton Ave
Springfield, Ohio 45505

To the Governing Board:

We were engaged to audit the accompanying basic financial statements of Urban Youth Academy, Inc., Clark County, (the Academy), as of and for the period ended May 9, 2008 and the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management has not provided the Auditor of State certain written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings; management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence of absence of fraud involving management or employees with significant roles in internal control; compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws, compliance with any debt covenants; the identification of all federal assistance programs, and compliance with federal grant requirements.

Ohio Administrative Code § 117.2-03 (B) requires the Academy to prepare its annual report in accordance with generally accepted accounting principles. The Academy did not prepare financial statements for the period ending May 9, 2008, nor did it maintain supporting documentation for bank reconciliations, receipts or deposits, capital asset listing, debt service, payroll or non-payroll transactions to support financial activity of the Academy's operations for the period ended May 9, 2008. Further, the Academy's records do not permit the application of other auditing procedures.

For fiscal year 2007 and for the period ended May 9, 2008, the Academy did not prepare the required note disclosure of its management company's expenses, which Ohio law requires for the Academy because it paid more than 20% of its total revenues to its management company. Additionally, no supporting documentation was maintained for student attendance or ADM data. The Academy did not prepare financial statements for the period ended May 9, 2008, nor did they maintain supporting documentation for the fiscal year ended June 30, 2007, or the period ended May 9, 2008, to support the financial activity of the Academy's operations. In addition, the Auditor of State prepared the period ended May 9, 2008, financial statement. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the school.

Due to our lack of independence and since the Academy did not provide evidence described in paragraphs two through four above, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the Academy for the fiscal year ended June 30, 2007 or the period ended May 9, 2008.

As described in Note 15, the Academy was closed by the sponsor effective May 9, 2008.

The Auditor of State has billed the Academy for services rendered for audit services provided for the fiscal year ended June 30, 2007 and the period ended May 9, 2008. As of the date of this report, the Academy has unpaid audit fees totaling \$25,234 of which \$16,914 has been outstanding for more than 120 days. These outstanding amounts have been referred to the Ohio Attorney General's Office.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 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. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

August 7, 2009

URBAN YOUTH ACADEMY
CLARK COUNTY

STATEMENT OF CASH BANK BALANCE
AS OF MAY 9, 2008

| | |
|---------------------------------|------------------------|
| Cash Bank Balance July, 1, 2007 | <u>\$20,912</u> |
| Cash Bank Balance May 9, 2008 | <u><u>\$22,338</u></u> |

See accompanying notes to the financial statements.

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**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Urban Youth Academy (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- Total Assets were \$225,996.
- Total Liabilities were \$74,041.
- Total Change in Net Assets was \$278,150.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2007? This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 and 2006:

| Table 1 | | | |
|----------------------------|-------------|-------------|-----------------|
| Net Assets | | | |
| | 2007 | 2006 | Variance |
| Assets: | | | |
| Current Assets | \$ 23,254 | \$ 7,006 | \$ 16,248 |
| Security Deposits | | 5,000 | (5,000) |
| Capital Assets, Net | 202,742 | 11,645 | 191,097 |
| Total Assets | 225,996 | 23,651 | 202,345 |
| Liabilities: | | | |
| Current Liabilities | 74,041 | 149,846 | (75,805) |
| Total Liabilities | 74,041 | 149,846 | (75,805) |
| Net Assets: | | | |
| Invested in Capital Assets | 202,742 | 11,645 | 191,097 |
| Restricted | 5,433 | 5,433 | |
| Unrestricted | (56,220) | (143,273) | 87,053 |
| Total Net Assets | \$151,955 | (\$126,195) | \$278,150 |

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Total assets increased by \$202,345. This increase was primarily due to the increase in capital asset expenditures from the prior year. Equity in pooled cash and cash equivalents has increased by \$20,379 from 2006. Intergovernmental Receivables decreased by \$4,228.

The Statement of Revenues, Expenses, and Changes in Net Assets shows the cost of operating expenses and the revenues offsetting those services. Table 2 shows the total amount of operating and non-operating expenses and the revenues associated with those expenses for fiscal year 2007 and fiscal year 2006, as well as a listing of revenues and expenses. That is, it identifies the amount of operating expenses supported by State and other funding.

**Table 2
Change in Net Assets**

| | 2007 | 2006 | Variance |
|---|------------------|---------------------|------------------|
| Operating Revenue: | | | |
| Foundation Payments | \$802,803 | \$ 806,690 | (\$ 3,887) |
| Special Education | | 46,665 | (46,665) |
| Other | | 589 | (589) |
| Total Operating Revenues | <u>802,803</u> | <u>853,944</u> | <u>(51,141)</u> |
| Operating Expenses: | | | |
| Salaries | 195,232 | 464,802 | (269,570) |
| Fringe Benefits | 89,962 | 128,831 | (38,869) |
| Purchased Services | 531,738 | 431,441 | 100,297 |
| Materials and Supplies | 39,297 | 50,065 | (10,768) |
| Depreciation Expense | 15,439 | 3,100 | 12,339 |
| Other Operating Expense | 44,880 | 20,875 | 24,005 |
| Total Operating Expenses | <u>916,548</u> | <u>1,099,114</u> | <u>(182,566)</u> |
| Non-Operating Revenues and (Expenses): | | | |
| Operating Grants – Federal | 300,000 | 61,989 | 238,011 |
| Operating Grants – State | 89,602 | 39,133 | 50,469 |
| Contributions and Donations | 2,293 | 3,475 | (1,182) |
| Total Non-Operating Revenues and (Expenses) | <u>391,895</u> | <u>104,597</u> | <u>287,298</u> |
| Increase/(Decrease) in Net Assets | <u>\$278,150</u> | <u>(\$ 140,573)</u> | <u>\$418,723</u> |

Capital Assets

At the end of fiscal year June 30, 2007, the Academy had \$202,742 net of depreciation. There were significant additions for the 2007 fiscal year for the Cosmetology and Barber Shop equipment. Table 3 shows balances at June 30, 2007 and 2006:

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

| | 2007 | 2006 | Variance |
|------------------------------------|------------------|-----------------|------------------|
| Computers | \$ 15,313 | \$ 8,569 | \$ 6,744 |
| Furniture, Fixtures, and Equipment | 118,892 | 3,076 | 115,816 |
| Leasehold Improvements | 68,537 | | 68,537 |
| Totals | <u>\$202,742</u> | <u>\$11,645</u> | <u>\$191,097</u> |

For more information on capital assets, see note 4 to the basic financial statements.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

Debt

At the end of fiscal year June 30, 2007, the Academy had debt of \$70,000. Table 4 summarizes outstanding notes.

Table 4

| | <u>2007</u> | <u>2006</u> | <u>Variance</u> |
|----------------------------------|-----------------|-----------------|-----------------|
| Urban Management and Development | \$70,000 | | \$70,000 |
| Pastor Samuel Wollum | | \$10,000 | (10,000) |
| Total | <u>\$70,000</u> | <u>\$10,000</u> | <u>\$60,000</u> |

The Academy entered into a note with Pastor Samuel Wollum on September 22, 2006 in the amount of \$15,000. This amount and prior amount was paid in full during the current fiscal year. Additional notes were made with Urban Management and Development during the fiscal year. The loan is interest free and was obligated to be paid back in fiscal year 2008.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizen's with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Ed Dudley, Treasurer, at Urban Youth Academy, Springfield, Ohio or e-mail at Dudley_1@msn.com or (614) 679-1991.

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**URBAN YOUTH ACADEMY
CLARK COUNTY**

STATEMENT OF NET ASSETS

| | <u>2007</u> |
|-------------------------------|-------------------------|
| Assets: | |
| Current Assets: | |
| Cash and Cash Equivalents | \$20,912 |
| Prepaid Assets | 2,342 |
| Total Current Assets | <u>23,254</u> |
| Non-Current Assets: | |
| Capital Assets, Net | 202,742 |
| Total Non-Current Assets | <u>202,742</u> |
| Total Assets | <u>225,996</u> |
| Liabilities: | |
| Current Liabilities: | |
| Accrued Wages & Benefits | 4,041 |
| Notes Payable | 70,000 |
| Total Current Liabilities | <u>74,041</u> |
| Total Liabilities | <u>74,041</u> |
| Net Assets: | |
| Invested in Capital Assets | 202,742 |
| Restricted for Other Purposes | 5,433 |
| Unrestricted (Deficit) | (56,220) |
| Total Net Assets | <u><u>\$151,955</u></u> |

See accompanying notes to the basic financial statements.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | <u>2007</u> |
|--|------------------|
| Operating Revenues: | |
| Foundation payments | \$802,803 |
| Total Operating Revenues | <u>802,803</u> |
| Operating Expenses: | |
| Salaries | 195,232 |
| Fringe Benefits | 89,962 |
| Purchased Services | 531,738 |
| Supplies and materials | 39,297 |
| Depreciation | 15,439 |
| Other | 44,880 |
| Total Operating Expenses | <u>916,548</u> |
| Operating Loss | <u>(113,745)</u> |
| Non-Operating Revenue and Expense | |
| State Restricted Grants | 89,602 |
| Federal Restricted Grants | 300,000 |
| Donations | 2,293 |
| Total Non-Operating Revenues | <u>391,895</u> |
| Change in Net Assets | 278,150 |
| Net Assets beginning of Year | <u>(126,195)</u> |
| Net Assets End of Year | <u>\$151,955</u> |

See accompanying notes to the basic financial statements.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| | 2007 |
|--|-------------|
| Cash Flows from Operating Activities | |
| Cash received from Foundation Payments | \$807,031 |
| Cash payments to Suppliers for Goods and Services | (571,035) |
| Cash payments to Employees for Services | (251,474) |
| Cash payments for Employee Benefits | (129,743) |
| Cash payments for Other Operation Uses | (84,759) |
| Net Cash (Used for) Operating Activities | (229,980) |
| Cash Flows from Noncapital Financing Activities | |
| Operating Grants - Federal | 300,000 |
| Operating Grants - State | 89,602 |
| Net Cash from Noncapital Financing Activities | 389,602 |
| Cash Flows from Capital and Related Financing Activities | |
| Proceeds from the Sale of Notes | 81,200 |
| Contributions and Donations | 2,293 |
| Payments for Capital Acquisitions | (206,536) |
| Principal Payments | (16,200) |
| Net Cash Used for Capital and Related Financing Activities | (139,243) |
| Net increase in cash and cash equivalents: | 20,379 |
| Cash and cash equivalents at beginning of year | 533 |
| Cash and cash equivalents at end of year | 20,912 |
| Reconciliation of Operating loss to Net Cash (Used for) Operating Activities | |
| Operating (loss) | (113,745) |
| Adjustments to Reconcile Operating loss to Net Cash Provided by (Used for) Operating Activities | |
| Depreciation | 15,439 |
| Changes in Assets and Liabilities: | |
| Decrease (Increase) in Prepaid Assets | (97) |
| Decrease (Increase) in Intergovernmental Receivable | 4,228 |
| Increase (Decrease) in Accounts Payable | (26,837) |
| Increase (Decrease) in Accrued Wages and Benefits | (69,187) |
| Increase (Decrease) in Intergovernmental Payable | (39,781) |
| Total Adjustments | (116,235) |
| Net cash (used) by operating activities | (\$229,980) |

See accompanying notes to the basic financial statements.

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**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE REPORTING ENTITY

Urban Youth Academy, Inc., Clark County, (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. 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.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 1, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a 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 controls the Academy's one instructional/support facility staffed by 6 non-certified and 8 certificated full time teaching personnel who provide services to 120 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

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

C. Basis of Accounting

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

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract requires a revised school budget to be submitted to the Sponsor, detailing an estimated revenues and expenses of funding to be submitted on or before June 30th of each year under contract.

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Educational Resource Consultants of Ohio. All cash received by the fiscal agent is maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 expenditures requirements, in which the resources are provided to the Academy on a reimbursement basis.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

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

H. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy has a capitalization policy to capitalize purchases over \$1,000. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements to capital assets are depreciated over the remaining useful life of the related capital asset.

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

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Computers | 5 |
| Furniture, Fixtures and Equipment | 5 |

I. Net Assets

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

J. Operating Revenues and Expenses

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

K. Estimates

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

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits was \$20,912 and the bank balance was \$32,280. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$32,280 was covered by the Federal Depository Insurance Corporation and not exposed to custodial credit risk.

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

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

4. CAPITAL ASSETS

Capital asset activity for the fiscal year June 30, 2007, was as follows:

| | Balance 6/30/2006 | Additions | Deductions | Balance 6/30/2007 |
|---------------------------------------|------------------------------|------------------|-------------------|------------------------------|
| Capital Assets: | | | | |
| Computers | \$11,277 | \$ 10,000 | | \$ 21,277 |
| Furniture and Equipment | 4,227 | 125,636 | | 129,863 |
| Leasehold Improvements | | 70,900 | | 70,900 |
| Totals Capital Assets | <u>15,504</u> | <u>206,536</u> | | <u>222,040</u> |
| Less Accumulated Depreciation: | | | | |
| Computers | (2,708) | (3,256) | | (5,964) |
| Furniture, Fixtures, and Equipment | (1,151) | (9,820) | | (10,971) |
| Leasehold Improvements | | (2,363) | | (2,363) |
| Total Accumulated Depreciation | <u>(3,859)</u> | <u>(15,439)</u> | | <u>(19,298)</u> |
| Capital Assets, Net | <u>\$11,645</u> | <u>\$191,097</u> | <u>\$0</u> | <u>\$202,742</u> |

5. RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ending June 30, 2007, the Academy contracted with the Wallace & Turner, Inc. for commercial, automobile and liability insurance.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. RISK MANAGEMENT (Continued)

| <u>Type of Coverage</u> | <u>Coverage</u> |
|------------------------------|---|
| Commercial General Liability | \$1,000,000 Each Occurrence Limit \$1,000,000 Personal and Advertising Injury \$100,000 Any One Premise Rented \$5,000 Medical Expense One Person \$2,000,000 General Aggregate \$2,000,000 Products/Completed |
| Operations | \$3,000,000 Umbrella Each/Aggregate |
| General Liability | \$1,000,000 School Leaders |
| Errors/Omissions | \$1,000,000 Sexual Conduct/Molestation |
| Vehicle Policy | \$1,000,000 Bodily injury \$1,000,000 Property damage \$1,000,000 Uninsured Motorist |
| Employers Stop Gap Liability | \$1,000,000 Bodily Injury by Disease \$1,000,000 Bodily Injury by Accident \$2,000,000 Aggregate |
| Employee Benefits Liability | \$1,000,000 Each employee \$3,000,000 Aggregate |

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the school district has not significantly reduced coverages in the past year.

The Academy owns no property, but leases facilities with Urban Light Industries, Clifton Avenue Church of God, Herbert Dooley and Arlington Towers Co., Inc. during this period. (See Note 12)

B. Workers' Compensation

The Academy 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.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan 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 provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for period ending June 30, 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. 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 Academy's required contribution for pension obligations to SERS for the period ending June 30, 2007 and 2006 were \$29,461 and \$15,212 respectively. \$1,515 and \$14,304 represents the unpaid contribution for the period ended June 30, 2007 and 2006.

B. State Teachers Retirement Systems

The Academy contributes to 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, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

STRS Ohio is a statewide retirement plan for licensed teachers and other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement 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 allocate 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 the DC and the DB Plan. In the Combined Plan, the member contributions are invested by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from 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 December 31, 2001. Benefits are established by Chapter 3307 of Ohio Revised Code.

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

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years June 30, 2007 and 2006 were \$20,756 and \$21,836, respectively; \$1,125 and \$1,974 represents the unpaid the unpaid contribution for fiscal year 2007 and 2006.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2007. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

7. POSTEMPLOYMENT BENEFITS

The Academy's provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the 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 on a pay-as-you-go basis.

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the STRS Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2007, and June 30, 2006, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicaid eligibility and retirement status.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation was 3.42 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. 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.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 59,492.

8. OPERATING LEASES

The Academy has entered into the following operating leases:

In August 2005 the Academy entered in to an annual lease with Urban Light Industries for monthly rents in the amount of \$3,500 for property located a 424 S. Fountain Street.

In October 2004 the Academy entered into an annual lease with Clifton Avenue Church of God for monthly rents of \$2,917 for property located at 1408 Clifton Avenue.

In April 2006 the Academy entered in to an annual lease with Herbert Dooley for monthly rents of \$750 for property located at 602 S. Railroad Street.

In June 2005 the Academy entered into a five-year lease ending June 2010 with Arlington Towers, Inc. for monthly rents of \$3,943 for property located at 1863, 1879 and 1833 S. Limestone Street.

The Academy also leases an automobile from Rewey Rent-A-Car with fiscal year payments totaling \$14,915.

The following minimum lease payments will be made for fiscal year ending:

| <u>Fiscal Year Ending June 30,</u> | |
|------------------------------------|-----------|
| 2008 | \$148,235 |
| 2009 | 148,235 |
| 2010 | 148,235 |
| 2011 | 148,235 |

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. NOTES PAYABLE

| <u>Obligations</u> | <u>Principal Outstanding June 30, 2006</u> | <u>Principal Additions</u> | <u>Principal Payments</u> | <u>Principal Outstanding June 30, 2007</u> |
|----------------------------------|--|--------------------------------|-------------------------------|--|
| Urban Management and Development | | \$70,000 | | \$70,000 |
| Samuel Wollum | \$10,000 | 15,000 | \$25,000 | |
| Total | <u>\$10,000</u> | <u>\$75,000</u> | <u>\$25,000</u> | <u>\$70,000</u> |

The Academy entered into a note with Pastor Samuel Wollum on September 22, 2006 in the amount of \$15,000. This amount and prior year outstanding amount was paid in full during the current fiscal year. Additional notes were made with Urban Management and Development during the fiscal year. The loan is interest free and is obligated to be paid back in fiscal year 2008.

10. CONTINGENCIES

A. Grants

The Academy's received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. State Funding

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. See Note 15 for additional information.

C. Litigation

The Academy is currently involved in a lawsuit filed by a former employee and the Academy has filed a counter suit. The case is ongoing and depositions were scheduled for February 25, 2008. No other information is available.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

11. FISCAL AGENT

The Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Educational Resource Consultants of Ohio (the Sponsor) to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Total contract payments of \$37,711 were paid during the fiscal year June 30, 2007; this included three percent (3%) for the Sponsorship fee.

The Treasurer shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts of the Academy;
- Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;
- Invest funds of the Academy in the same manner as the funds of the Sponsor are invested, but the Treasurer shall not commingle the funds with any of the Sponsor or any other community school; and
- Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

12. RELATED PARTY TRANSACTIONS

Michael Ward (founder of the Academy) is husband of Joanna Ward, CEO of the Academy. Michael Ward is also the owner of the Urban Management and Development Company (the management company contracted by the Academy) which received management fees of \$139,191 during fiscal year 2007.

Pastor Samuel Wollum, a member of the Board for the Academy, loaned the Academy \$15,000 during the fiscal year 2007 for operating expenses; of which nothing is outstanding. The loan was interest free and no maturity date.

On February 15, 2007, the Academy entered into a loan agreement with Urban Management and Development for \$50,000; interest free and repayment to be made in fiscal year 2008. Additionally, on April 19, 2007, the Academy entered into a second loan agreement with Urban Management and Development for an additional \$20,000 to pay for the virtual learning academy; interest free and repayment to be made in fiscal year 2008.

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. PURCHASED SERVICES

For the Fiscal year June 30, 2007, purchased service expenses were payments for services rendered by various vendors, and are as follows:

| | |
|-------------------------------------|------------------|
| Professional and Technical Services | \$ 81,223 |
| Repairs/Cleaning and Maintenance | 56,316 |
| Communications | 17,411 |
| Utilities | 21,839 |
| Management Services | 124,112 |
| Pupil Transportation | 27,270 |
| Legal/Professional | 9,092 |
| Fiscal Services | 106,948 |
| Facilities Rent | 87,527 |
| Total Purchased Services | <u>\$531,738</u> |

14. MANAGEMENT COMPANY

The Academy contracts with Urban Management and Development (UMD of Ohio, LLC) to serve as the Academy's management company. UMD of Ohio, LLC agrees to provide such requisite management, educational, financial and other consulting services necessary to form and operate the Academy in accordance with the charter school contract between the Academy and its sponsor. The agreement covers a period of five years and the Academy agrees to pay UMD of Ohio, LLC a monthly continuing fee of eighteen percent (18%) of the Academy's Qualified Gross Revenue. The management fee for the fiscal year ended 2007 was \$139,191. Michael Ward, husband of Joanna Ward, CEO, is owner of UMD.

15. SUBSEQUENT EVENTS – CLOSURE OF THE SCHOOL

On May 1, 2008, the Sponsor made a resolution to cease operations of the Academy effective May 9, 2008 due to poor performance and declining student enrollment. The cash balance at May 9, 2008 was \$22,338. Additionally, Urban Youth Academy owed the Ohio Department of Education \$198,786 in excess foundation funds received due to incorrect reporting of student enrollment totals.

16. UNPAID AUDIT FEES

As of November 30, 2008, the Academy owed the Auditor of State \$25,234 in unpaid audit fees.

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Mary Taylor, CPA

Auditor of State

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

Urban Youth Academy, Inc.
Clark County
1408 Clifton Ave
Springfield, Ohio 45505

To the Governing Board:

We were engaged to audit the financial statements of the business-type activities of Urban Youth Academy, Inc., Clark County, (the Academy), as of and for the period ended May 9, 2008 and the fiscal year ended June 30, 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 7, 2009, wherein we did not express an opinion because the Academy did not prepare financial statements including the required Statement of Net Assets, Statement of Revenues, Expenditures, and Changes in Net Assets, and Statement of Cash Flows and note disclosures required by Generally Accepted Accounting Principles for the period ended May 9, 2008, nor did it provide supporting documentation to support the financial activity for the period ended May 9, 2008, or for the fiscal year ended June 30, 2007. We also noted that management failed to provide the Auditor of State with certain representations as required by auditing standards generally accepted in the United States of America, the School has unpaid audit fees, and the Academy was closed by the sponsor effective May 9, 2008.

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.

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 Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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.

Internal Control Over Financial Reporting (Continued)

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 deficiencies in internal control deficiencies 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 District'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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-003, 2008-006, 2008-10 through 2008-13.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2008-001 through 2008-003, 2008-006, and 2008-010 through 2008-013 are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001, 2008-002, 2008-004 through 2008-011, and 2008-014.

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



Mary Taylor, CPA
Auditor of State

August 7, 2009

**URBAN YOUTH ACADEMY
CLARK COUNTY**

**SCHEDULE OF FINDINGS
FOR FISCAL YEARS ENDED MAY 8, 2008 AND JUNE 30, 2007**

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

FINDING NUMBER 2008-001

Noncompliance and Material Weakness

Ohio Revised Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

Ohio Rev. Code Section 149.43(B)(1) provides in part that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

Ohio Revised Code Section 149.011(G) defines "record", for purposes of the public records law, to include any document, device, or item, regardless of physical form or characteristic, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office.

Ohio Rev. Code Section 3314.03(A)(8) requires all community schools to maintain financial records in the same manner as all public school districts pursuant to the rules of the Auditor of State.

Further, **Ohio Rev. Code Section 149.351(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 to 149.42.

Additionally, **Ohio Administrative Code Section 117-2-02(D)** states that all local public offices may 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.

The Academy had the following deficiencies in maintaining adequate public records:

- No bank reconciliations or bank statements were provided for audit. The Auditor of State (AOS) could not determine cash in the bank agrees to the cash in the book. Bank Statements were not available for review.
- No capital asset listing was provided for audit.
- No debt records were provided for audit. Due to the fact not having debt records, we were unable to verify outstanding debt balances.
- No payroll records (payroll register, cancelled payroll checks, W-2s, 941s (Employer Quarterly Federal Tax Return), State Teacher Retirement System (STRS), or School Employees Retirement System (SERS) etc., was provided for audit. Due to not having these records, we were unable to test payroll expenditures for the audit period, including the corresponding accruals such as intergovernmental payable, accrued wages, or compensated absences.
- No non-payroll records - (check register, purchase orders, invoices, cancelled checks or expenditure ledger) were provided by the Academy for audit. However, we were able to review invoices and some purchase orders maintained by the fiscal agent, and cancelled checks obtained from the bank.

Failure to retain public records could result in the Academy's inability to detect errors or irregularities in the normal course of business.

FINDING NUMBER 2008-002

Noncompliance and Material Weakness

Ohio Rev. Code Section 3314.015(E) states that the department of education shall adopt procedures for use by a community school governing authority and sponsor when the Academy 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.

The guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point after a school closes.

Pursuant to the Ohio Department of Education's *Community School Closing Procedures Guidance*, the following actions should be taken when a community school closes. There was no evidence the following procedures were performed:

- A. Notify the sponsor as soon as the Governing Authority intends to close the school:
 - 1. Arrange to send student records to district of residence and arrange to send that student's official records by return-receipt certified carrier, with a list of all records and their destination sent to the sponsor;
 - 2. Insure that student IEP's continue to be implemented by receiving district in case of closure by contacting and sending records directly to special education administrators;
- B. Notify the school's staff of decision to close school:
 - 1. Share the Governing Authorities commitment to the staff:
 - a) ensure that STRS and SERS contributions are current;
 - b) clarify COBRA benefits and when medical benefits end;
 - c) ensure that each faculty's LPDC information is current and available to the teachers;
- C. Notify the Public:
 - 1. Refer the media to NACSA media materials: <http://www.qualitycharters.org/>;
 - 2. Include a history of the school and its accomplishments, reasons for the closing, process of ensuring a smooth transition for the students and commitment to meet all financial obligations;
- D. Submit all Public Charter School Program FER and APR reports:
- E. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported:
 - 1. Notify the ITC and 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.
- F. Notify the traditional public district in which the community school is located and all traditional public school districts providing transportation to the community school.

FINDING NUMBER 2008-002
(Continued)

- G. Account for all school property throughout the closing process by distinguishing state from federal Dollars:
1. Review the history of the school and its accomplishments;
 - 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,
- H. Make disposition of the school's fixed asset
1. 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) Price items at fair market value, determined from fixed assets policy and inventory;
 - b) Follow CCIP liquidation procedures for items valued at \$5,000 or greater;
 - c) Refund auction proceeds with correct federal and state program codes listed to the appropriate program with checks payable to, "Treasurer, State of Ohio";
 - d) Provide board resolutions and minutes of any transfer of assets with a dollar value of "0" to another school;
 - e) Provide OCS with a written report of the property (bill of sale);
 - f) Return to eTech (formerly Ohio SchoolNet) hardware and software to be redistributed per statutory requirements to other schools.
 2. As stated above in #1, 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.
- I. 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;
 7. Resident school districts pro-rated for students attending the community school.

**FINDING NUMBER 2008-002
(Continued)**

J. Review and prepare the following itemized financials:

1. Fiscal year end financial statements;
2. A cash analysis;
3. A list of compiled bank statements for the year and give to the sponsor;
4. A list of investments in paper hard copy format and give to the sponsor,
5. A list of payables and determine when a check to pay the liability clears the bank;
6. A list of all unused checks (collect and void all unused checks);
7. A list of petty cash and provide to sponsor;
8. A list of bank accounts, closing the accounts once all transactions have cleared;
9. A list of all payroll reports including taxes, retirement, or adjustments on employee contract.

There is no evidence that Urban Youth Academy and the sponsor followed all of the above School Closing procedures when the Academy closed. We recommend the Academy and/or Sponsor contact ODE to rectify any outstanding items associated with the closing of the school.

Client Response:

Response A1, A2

ERCO delivered all student files, including any IEP's, to the Springfield City School District.

Response B1

ERCO is unable to address STRS, SERS, COBRA, LPDC updates. These steps were the responsibility of the school to follow through.

Response C1, C2

ERCO notified the public via a press release that has been submitted for the UYA audit. The press release included reason for closure, assurance of smooth transition. School history was not provided to ERCO for inclusion.

Response D

Submitting FER and APR reports are the responsibility of the school treasurer.

Response E

Reporting of outstanding EMIS data, eliminating SAFE accounts, CCIP accounts are the responsibility of the school.

Response F

ERCO notified Springfield City Schools via telephone of the closure of Urban Youth Academy.

Response G

Distinguishing state from federal funds used for school property is the responsibility of the treasurer of the school. Establishing fair market value, check off lists for proper PCSP federal codes would be the responsibility of the school and treasurer.

Response H1, H2

ERCO has provided all available documentation as support for disposition of assets for the Urban Youth Closure and Auction. Assets were first offered to other community schools.

ERCO followed school closure guidelines to the best of its ability considering the circumstances and information available.

FINDING NUMBER 2008-003

Material Weakness

Financial Reporting

Section 2200.102 of the Codification of Governmental Accounting and Financial Reporting Standards provides the minimum requirements for general purpose external financial reporting as follows:

- Management's Discussion and Analysis;
- Basic financial statements which include;
- Statement of Net Assets;
- Statement of Revenues, Expenditures, and Changes in Net Assets; and
- Statement of Cash Flows.

The Academy failed to prepare financial statements and the required note disclosures for the period of July 1, 2007 through May 9, 2008.

These financial statements were required to be prepared in accordance with Accounting Principles Generally Accepted in the United States of America.

It is vital that the Academy develop and present financial statements which are comprised of all required financial statements and disclosures. Without properly prepared financial statements, the users of the financial statement, including the Board and parents could reach improper conclusions on the Academy.

FINDING NUMBER 2008-004

Noncompliance

Ohio Administrative Code Section 117-2-03(B) states that all counties, cities, and school districts, including educational service centers and community schools, shall file, annual financial reports which are prepared using generally accepted accounting principles (GAAP).

Ohio Rev. Code Section 117.38 states that the annual financial report is required to be filed with the Auditor of State within 150 days after the close of the fiscal year.

The Academy failed to file an annual financial report as prescribed by the above section for fiscal years 2008 and 2007.

FINDING NUMBER 2008-005

Noncompliance

Ohio Rev. Code 5705.391(A) requires schools to submit a five-year projection of revenues and expenditures as part of the spending plan. The plan must be submitted to the Department of Education.

The Academy prepared a five year projection but did not submit the projection to the Ohio Department of Education.

FINDING 2008-006

Noncompliance and Material Weakness

Ohio Rev. Code Section 3314.024 and Article VII of the Contract agreement with the Academy's sponsor requires that a management company providing services to a community school and charging more than twenty percent of the school's annual gross revenues shall provide a detailed accounting, including the nature and costs of the services it provides to the community school. This information shall be included in the footnotes of the financial statements of the school and be subject to audit during the school's regular financial audit.

Additionally, this footnote should list management company expenses during the year by object codes (e.g., salaries, supplies, etc.).

Ohio Rev. Code §3314.03(A)(8) discusses the requirements of community schools to have financial audits by the auditor of state. The contract between the sponsor and the governing authority shall require financial records of the school to be maintained in the same manner as are financial records of school districts, pursuant to rules of the auditor of state, and the audits shall be conducted in accordance with section 117.10 of the Revised Code. Since school districts conform to the Uniform School Accounting System (USAS) requirement of accounting, community schools are expected to, as well. This includes classifying costs by function and object codes. Also, this footnote should differentiate between the direct costs and any overhead costs a management company allocates to a community school.

The management company received \$405,278 of the total \$1,194,698 gross revenues received by the school; for a total of 33.9% of the Academy's total gross revenue. The Academy did not prepare a footnote disclosure providing a detailed accounting, including the nature and costs of the services it provided by the management company to the Academy.

FINDING 2008-007

Noncompliance

Ohio Rev. Code Section 3314.03(A)(11)(d) states that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Ohio Rev. Code Section 121.22.

Ohio Rev. Code Section 121.22 requires schools to take all official actions and to conduct all deliberations upon official business in open meetings, unless the subject matter is specifically exempted by law. It further outlines that schools must establish a reasonable method by which any person can determine the time and place of all regular meetings. And lastly, it requires the minutes of the meetings or special meetings to be promptly prepared, filed and maintained and approved by the governing authority.

The Board did not have a reasonable method by which interested parties could determine the time and place of all regular meetings. The Board prepared records of proceedings of the meetings held by the Board during the fiscal year, but these minutes did not record all official action, such as granting pay increases, approving pay rates and hiring new employees through the course of open meetings.

The Board should have developed and implemented the following policies: 1) all official action and deliberations on official business should be conducted during open meetings; 2) the Board establish a reasonable method by which interested parties could determine the time and place of all regular meetings; 3) promptly after a meeting has been held, the records of proceedings be prepared and presented to the Board at the next regular meeting for formal review and approval by the Board; 4) official approval of records of proceedings should be evidenced by signature of the Board President and/or Secretary; and 4) after approval has been obtained, the Board should maintain these minutes in a binder in a central location in which they can be reviewed upon request.

FINDING NUMBER 2008-008

Noncompliance

Ohio Rev. Code Section 3314.02(E) and Article II, Section D of the Contract agreement with the Academy's sponsor requires the school to comply with Chapter 102 of the Ohio Revised Code.

Ohio Rev. Code Section 102.03(D) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Further, **Ohio Rev. Code Section 3314.02(E) and Article II, Section K of the Community School Contract** state that the school governing authority shall consist of a Board of not less than five individuals who are not owners or employees, or immediate relatives of owners or employees of any for-profit company that operates or manages the Academy for the governing authority.

The Academy contracted with Urban Management and Development. The Superintendent of the Academy's spouse is the sole proprietor of the management company utilized by the Academy.

FINDING NUMBER 2008-009

Noncompliance

Article II, Section X of the Contract Agreement with the Academy's Sponsor states that the students to full-time equivalent classroom teacher ratio shall be no more than 25 to 1.

The full-time equivalent classroom teacher ratio at June 30, 2007 was 29.75 to 1, which exceeds the maximum ratio as set forth by the contract.

FINDING NUMBER 2008-010

Noncompliance and Material Weakness

Article II, Section Y of the Contract Agreement with the Academy's Sponsor requires the school to provide all full-time employees with health and other benefits.

The Academy allowed a lapse of healthcare coverage to occur for the employees during fiscal year 2007. As a result of this lapse of health insurance, the Academy incurred medical expenses totaling \$2,040.68 for its employees which would have otherwise been covered by an insurance policy resulting in an additional financial burden on the Academy.

FINDING NUMBER 2008-011

Noncompliance and Material Weakness

Article II, Section Y of the Contract Agreement with the Academy's Sponsor requires the school's financial records to be maintained pursuant to the rules of the Auditor of the State of Ohio.

Ohio Admin. Code Section 117-2-02(D) states that all local public offices may 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.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
 - a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations;
 - ii. 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;
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
 - iv. Information regarding nonmonetary benefits such as car usage and life insurance
 - v. Information, by employee, regarding leave balances and usage
 - b. Fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Fixed assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

During fiscal year 2007 and for the period ended May 9, 2008,, the Academy utilized Quick Books as their accounting software. The Academy did not generate a cash journal, receipts ledger, appropriation ledger or payroll journal.

FINDING NUMBER 2008-012

Material Weakness

The Academy utilizes the Quick Books accounting system which is able to perform GAAP accounting required by Ohio law. During the audit period, the Academy did not record any accounts payable, accrued wages, intergovernmental payables or intergovernmental receivables, during fiscal year 2007 or for the period ended May 9, 2008.

The following table contains a list of items paid after fiscal year end June 30, 2007 which should have been disclosed as an account payable at June 30, 2007 and for the period ended May 9, 2008.

| <u>Check #</u> | <u>Check Date</u> | <u>Check Amount</u> | <u>Invoice Date</u> | <u>Invoice Amount</u> | <u>Vendor</u> |
|----------------|-------------------|---------------------|---------------------|-----------------------|--|
| 1531 | 7/12/07 | \$7,562 | 5/31/07 | \$2,010 | Eagle Eye Management |
| | | | 6/5/07 | 3,943 | |
| | | | 6/5/07 | 804 | |
| | | | 6/6/07 | 805 | |
| 1533 | 7/12/07 | 1,975 | 5/10/07 | 3,949 | Wallace & Turner, Inc. |
| 1536 | 7/12/07 | 1,278 | 4/24/07 | 937 | Rewey Rent-A-Car |
| | | | 5/29/07 | 2,109 | |
| | | | 5/29/07 | 3,387 | |
| 1541 | 8/2/07 | 80 | 5/9/07 | 80 | Midwest Signs |
| 1547 | 8/5/07 | 2,052 | 6/5/07 | 2,052 | Clean Gene Cleaning Service |
| 1551 | 8/5/07 | 1,248 | 6/5/07 | 1,248 | The Educational Resource Consultants Of Ohio |
| 1578 | 9/4/07 | 1,075 | 6/22/07 | 525 | Emma Campbell |
| | | | 5/15/08 | 550 | |
| 1673 | 11/20/07 | 14,000 | 5/31/07 | 30,362 | JCESC |
| 1674 | 11/20/07 | 2,808 | 1/24/07 | 2,808 | MOBILE TEK |
| 1716 | 1/11/08 | 2,559 | 3/12/07 | 2,559 | Good Samaritan Hospital |
| | | <u>\$34,637</u> | | <u>\$58,128</u> | |

The following table contains a list of unpaid invoices which the Academy had at May 9, 2008 which should have been disclosed as account payable items at May 9, 2008.

| <u>Vendor</u> | <u>Invoice #</u> | <u>Billing Date</u> | <u>Amount</u> | <u>Total</u> |
|-------------------------------|------------------|---------------------|---------------|--------------|
| Allen, Maxwell, & Silver, Inc | 10715347 | 1/23/07 | \$ 17 | |
| Allen, Maxwell, & Silver, Inc | 10684112 | 11/19/07 | 36 | \$ 53 |
| Arlington Towers Co. | | 10/15/07 | 31 | |
| Arlington Towers Co. | | 12/31/07 | 429 | |
| Arlington Towers Co. | | 4/22/08 | 3,152 | 3,612 |
| AT&T | 937323454701 | 1/7/08 | 169 | |
| AT&T | 937323454702 | 2/7/08 | 180 | |
| AT&T | 937323454704 | 4/7/08 | 205 | |
| AT&T | 937328058204 | 4/1/08 | 414 | |
| AT&T | 937328058212 | 12/1/07 | 430 | |
| AT&T | 1782505003 | 2/19/08 | 1,042 | |
| AT&T | 1855974002 | 4/18/08 | 1,049 | |
| AT&T | | 3/28/08 | 149 | |
| AT&T | | 4/1/08 | 414 | 4,052 |

(Continued)

**FINDING NUMBER 2008-012
 (Continued)**

| Vendor | Invoice # | Billing Date | Amount | Total |
|---------------------------------|-------------------------|---------------------|---------------|--------------|
| Business Map Ltd. | 2378 | 12/6/07 | 600 | 600 |
| Bureau of Motor Vehicles | | 4/9/09 | 425 | 425 |
| Bureau of Workers Compensation | 88832273 | 12/10/07 | 117 | 117 |
| Cengage Learning | 83617088 | 9/20/07 | 2,781 | 2,781 |
| Cincinnati Bell | | 1/10/08 | 570 | 570 |
| Cintas | 2629969,2646049/2706630 | 4/30/08 | 140 | 140 |
| City of Springfield Utility | | 4/22/08 | (111) | |
| City of Springfield Utility | | 4/22/08 | (4) | |
| City of Springfield Utility | | 2/21/08 | 38 | |
| City of Springfield Utility | | 4/22/08 | 68 | |
| City of Springfield Utility | | 2/28/08 | 89 | |
| City of Springfield Utility | | 2/21/08 | 242 | |
| City of Springfield Utility | | 2/28/07 | 89 | |
| City of Springfield Utility | | 3/21/08 | (23) | |
| City of Springfield Utility | | 3/21/08 | 19 | |
| City of Springfield Utility | | 3/21/08 | (134) | |
| City of Springfield Utility | | 2/21/08 | (42) | 231 |
| Clark County Common Pleas Court | | 12/4/07 | 588 | |
| Clark County Common Pleas Court | | 9/6/07 | 672 | |
| Clark County Common Pleas Court | | 7/11/07 | 882 | |
| Clark County Common Pleas Court | | 11/2/07 | 882 | |
| Clark County Common Pleas Court | | 4/3/08 | 1,344 | |
| Clark County Common Pleas Court | | 10/2/07 | 1,386 | |
| Clark County Common Pleas Court | | 2/6/08 | 2,058 | 7,812 |
| Columbia Gas | | 4/30/08 | 90 | |
| Columbia Gas | | 4/30/08 | 431 | |
| Columbia Gas | | 4/30/08 | 596 | |
| Columbia Gas | | 4/24/08 | 1,504 | 2,621 |
| Compunet Clinical Labs | 9118958346 | 4/25/08 | 512 | |
| Compunet Clinical Labs | 4400633336 | 4/27/07 | 69 | 581 |
| Eastman & Smith Ltd. | 163118 | 11/30/07 | 2,420 | |
| Eastman & Smith Ltd. | 161096 | 10/22/07 | 3,114 | |
| Eastman & Smith Ltd. | 162248 | 10/31/07 | 428 | |
| Eastman & Smith Ltd. | 163117 | 11/30/07 | 5,857 | |
| Eastman & Smith Ltd. | 172229 | 3/31/08 | 615 | |
| Eastman & Smith Ltd. | 172228 | 3/31/08 | 94 | 12,528 |
| Good Samaritan Hospital | | 3/12/07 | 2,892 | 2,892 |

(Continued)

**FINDING NUMBER 2008-012
 (Continued)**

| <u>Vendor</u> | <u>Invoice #</u> | <u>Billing Date</u> | <u>Amount</u> | <u>Total</u> |
|------------------------------------|------------------|---------------------|---------------|--------------|
| Hadler Real Estate | 470-1863 | 1/24/08 | 2,616 | |
| Hadler Real Estate | 470-1879 | 1/24/08 | 16,918 | 19,534 |
| Hauck Bros. Inc. | 73470/75214 | 3/23/08 | 732 | 732 |
| Jefferson County ESC | | 3/24/08 | 29,755 | 29,755 |
| Joyce's | | 9/1/06 | 80 | 80 |
| Kettering Workers Care, LLC | | 8/31/07 | 10 | 10 |
| Koorsen Fire & Security | 1578790 | 11/16/07 | 26 | 26 |
| Krieg Plumbing | 1129 | 4/18/08 | 110 | 110 |
| Kyle Peterson | | 3/5/08 | 1,250 | |
| Kyle Peterson | | 3/10/08 | 1,750 | |
| Kyle Peterson | | 2/10/08 | 1,250 | 4,250 |
| Mary Taylor, Auditor of State | | 4/16/08 | 11,847 | 11,847 |
| Megacity Fire Protection | 180687 | 9/15/06 | 38 | |
| Megacity Fire Protection | 174738 | 4/28/06 | 254 | 292 |
| Mobile Tek | 128 | 1/2/08 | 2,798 | 2,798 |
| Moin A. Ranginwala, MD Inc. | | 3/26/07 | 690 | 690 |
| Morris-Flamingo, Inc. | | 1/2/08 | 3,664 | 3,664 |
| NCO Financial System | | 4/9/08 | 117 | 117 |
| New Hill Service | | 11/9/07 | 277 | 277 |
| Newspaper In Education | BP-2850363 | 4/4/07 | 300 | 300 |
| Newhouse, Prophater & Letcher, LLC | 1299-001-1012 | 1/4/08 | 4,228 | |
| Newhouse, Prophater & Letcher, LLC | | 2/15/08 | 5,000 | 9,228 |
| Ohio Attorney General Collections | | 4/1/08 | 567 | 567 |
| Ohio Department of Taxation | 7610470 | 12/31/07 | 500 | 500 |
| Ohio Edison | | 12/7/07 | 273 | 273 |
| Ohio Job & Family Services | R-0542567 | 5/21/07 | 21 | |
| Ohio Job & Family Services | R-0538515 | 3/23/07 | 52 | |
| Ohio Job & Family Services | | 11/20/06 | 247 | |
| Ohio Job & Family Services | R-0545624 | 7/15/07 | 1,592 | |
| Ohio Job & Family Services | R-0543630 | 6/15/07 | 1,833 | |
| Ohio Job & Family Services | R-0547483 | 8/15/07 | 2,040 | |
| Ohio Job & Family Services | R-0541822 | 5/15/07 | 2,619 | |
| Ohio Job & Family Services | R-0526092 | 6/1/07 | 3,222 | 11,626 |

(Continued)

**FINDING NUMBER 2008-012
 (Continued)**

| <u>Vendor</u> | <u>Invoice #</u> | <u>Billing Date</u> | <u>Amount</u> | <u>Total</u> |
|---|------------------|---------------------|---------------|------------------|
| Quenns LLC (as spelled on invoice) | Lunch | 2/15/08 | 248 | |
| Quenns LLC | Breakfast | 2/22/08 | 126 | |
| Quenns LLC | Lunch | 2/22/08 | 165 | |
| Quenns LLC | Lunch | 3/7/08 | 413 | |
| Quenns LLC | Breakfast | 3/7/08 | 315 | |
| Quenns LLC | Lunch | 4/4/08 | 413 | |
| Quenns LLC | Breakfast | 4/4/08 | 63 | |
| Quenns LLC | Lunch | 4/11/08 | 413 | |
| Quenns LLC | Lunch | 4/18/08 | 413 | |
| Quenns LLC | Lunch | 4/24/08 | 413 | 2,982 |
| Shuronda Smith | | 1/31/07 | 700 | 700 |
| State Teachers Retirement System | | 2/19/08 | 2,055 | 2,055 |
| Southwest Ohio Computer Assoc. | C05946 | 1/16/08 | 687 | |
| Southwest Ohio Computer Assoc. | C06159 | 2/19/08 | 687 | 1,374 |
| Tech Wizards | 4721 | 7/2/07 | 7,000 | 7,000 |
| The Educational Resource | | 11/5/07 | 1,000 | |
| The Educational Resource | | 10/3/07 | 1,000 | 2,000 |
| The Hadler Companies | | | 6,584 | 6,584 |
| Thomson West | | 11/15/07 | 166 | 166 |
| United Health Care | | 2/5/08 | 75 | 75 |
| Verizon | 1848653413 | 5/15/08 | 152 | 152 |
| Vero Security Group, LTD | | 3/27/08 | 7,390 | |
| Vero Security Group, LTD | 610 | 2/7/08 | 767 | 8,157 |
| WEST Payment Center | | 11/15/07 | 166 | 166 |
| Xenia Community Schools | DENT5094 | 4/3/08 | 1,100 | <u>1,100</u> |
| Grand Total of Unpaid Invoices on Hand at May 9, 2008 | | | | <u>\$168,202</u> |

This list was prepared based upon the invoices that were reviewed by the Auditor of State and may not be an all-inclusive listing of obligations owed at June 30, 2007 and for the period ended May 9, 2008.

FINDING NUMBER 2008-013

Material Weakness

The Academy received multiple personal loans during fiscal year 2007 which totaled \$89,000; however, the Governing Board only approved loans in the amount \$20,000 and \$50,000 from Urban Management and Development. The other \$19,000 in personal loans did not have proper approval from the Governing Board. Several exceptions were noted during the testing of the loan agreements, and loan proceeds.

- The Academy did not issue notes to the lenders at the time money was receipted into the Academy's bank accounts.
- The Academy receipted all \$89,000 in loans as miscellaneous revenue to the General Fund. Additionally, no supporting documentation could be located that contained a Governing Board member's authorized signature along with any specified repayment plans.
- The Academy only booked \$16,200 in debt payments on the financial statements, yet actually made debt payments in the amount of \$21,100.

FINDING NUMBER 2008-014

FINDINGS FOR RECOVERY

Ohio Revised Code section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code.

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Testing during the audit period resulted in numerous unexplained expenditures with lack of supporting documentation. As a result, our office cannot determine if these expenditures were for a proper public purpose.

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose.

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, states that expenditures made by a governmental unit should serve a public purpose.

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

The following list includes various expenditures the school made without proper supporting documentation.

**FINDING NUMBER 2008-014
 (Continued)**

Payments to All About Learning:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------------|-----------------|----------------------------------|
| 12/6/07 | 1683 | All About Learning | \$ 2,500 | Lack of supporting documentation |
| 1/1/08 | 1717 | All About Learning | 2,500 | Lack of supporting documentation |
| | | | <u>\$ 5,000</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against All About Learning in the total amount of \$5,000 in favor of Urban Youth Academy's General Fund.

Check # 1683 was signed by Franklin Carter, and Tom Schaefer, Check # 1717 was signed by Franklin Carter.

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

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Tom Schaefer, jointly and severally, in the amount of \$2,500 and Franklin Carter in the amount of \$2,500 in favor of the Urban Youth Academy's General Fund. Franklin Carter, and Tom Schaefer shall be shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from All About Learning.

Payments to Franklin Carter:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|-----------------|--------------------|----------------------------------|
| 10/4/07 | 1616 | Franklin Carter | \$ 7,360.00 | Lack of supporting documentation |
| 11/8/07 | 1654 | Franklin Carter | 2,500.00 | Lack of supporting documentation |
| | | | <u>\$ 9,860.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Franklin Carter in the total amount of \$9,860 in favor of Urban Youth Academy's General Fund.

Both of these checks were signed by Joanna Ward and Tom Schaefer.

Accordingly, a Finding for Recovery is hereby issued against Joanna Ward, and Tom Schaefer, jointly and severally, in the amount of \$9,860 and Ohio Casualty Insurance Company, jointly and severally, in the amount of \$7,360 and in favor of the Urban Youth Academy's General Fund. Joanna Ward, Tom Schaefer and Ohio Casualty Insurance Company shall be liable for such illegal expenditures to the extent that the recovery or restitution is not obtained from Franklin Carter.

**FINDING NUMBER 2008-014
 (Continued)**

Payment to Stephen Davis:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|---------------|-------------------|----------------------------------|
| 12/6/06 | 1259 | Stephen Davis | \$ 600.00 | Lack of supporting documentation |
| 3/26/08 | 4050 | Stephen Davis | 700.00 | Lack of supporting documentation |
| 4/4/08 | 4064 | Stephen Davis | 1,500.00 | Lack of supporting documentation |
| | | | <u>\$2,800.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Stephen Davis in the total amount of \$2,800 in favor of Urban Youth Academy's General Fund.

Check #1259 was signed by Michael Ward and Franklin Carter.

Check #s 4050 and 4064 were signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Michael Ward and Franklin Carter, jointly and severally, in the amount of \$600 (check # 1259) and in favor of the Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$2,200 (check #s 4050 and 4064) and in favor of the Urban Youth Academy's General Fund. Michael Ward, Franklin Carter and Ed Dudley shall be liable for such illegal expenditures to the extent that the recovery or restitution is not obtained from Stephen Davis.

Payments to Steven James:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|-----------------|----------------------------------|
| 8/15/07 | 1552 | Steven James | \$ 70.00 | Lack of supporting documentation |
| 2/13/08 | 4003 | Steven James | 830.00 | Lack of supporting documentation |
| | | | <u>\$900.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Steven James in the total amount of \$900 in favor of Urban Youth Academy's General Fund.

Check # 1552 was signed by both Franklin Carter and Michael Ward. Check # 4003 was signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Michael Ward, jointly and severally, in the amount of \$70 (check # 1552) and in favor of the Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$830 and in favor of the Urban Youth Academy's General Fund. Franklin Carter, Michael Ward and Ed Dudley shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Steven James.

**FINDING NUMBER 2008-014
 (Continued)**

Payments to LED Consulting:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|----------------|--------------------|----------------------------------|
| 2/13/08 | 4005 | LED Consulting | \$ 4,000.00 | Lack of supporting documentation |
| 3/1/08 | 4015 | LED Consulting | 4,000.00 | Lack of supporting documentation |
| 4/4/08 | 4068 | LED Consulting | 4,000.00 | Lack of supporting documentation |
| | | | <u>\$12,000.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against LED Consulting in the total amount of \$12,000 in favor of Urban Youth Academy's General Fund.

All of the aforementioned checks were signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$12,000 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from LED Consulting.

Payments to Keta Miliner:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|-----------------|----------------------------------|
| 3/26/08 | 4047 | Keta Miliner | <u>\$814.00</u> | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kita Milener in the total amount of \$814 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$814 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Kita Milener.

Payments to Chantelle Mitchell:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------------|-----------------|----------------------------------|
| 4/11/08 | 4070 | Chantelle Mitchell | \$250.00 | Lack of supporting documentation |
| 3/17/08 | 4043 | Chantelle Mitchell | 504.00 | Lack of supporting documentation |
| | | | <u>\$754.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chantelle Mitchell in the total amount of \$754 in favor of Urban Youth Academy's General Fund.

All of the aforementioned checks were signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$754 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Chantelle Mitchell.

**FINDING NUMBER 2008-014
 (Continued)**

Payments to Kyle Peterson:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|---------------|-------------------|----------------------------------|
| 3/26/08 | 4048 | Kyle Peterson | <u>\$2,000.00</u> | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Kyle Peterson in the total amount of \$2,000 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$2,000 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Kyle Peterson.

Payments to Craig Ward:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|-------------|-------------------|----------------------------------|
| 2/13/08 | 4008 | Craig Ward | \$ 720.00 | Lack of supporting documentation |
| 3/26/08 | 4052 | Craig Ward | 400.00 | Lack of supporting documentation |
| 10/31/07 | 1651 | Craig Ward | 80.00 | Lack of supporting documentation |
| | | | <u>\$1,200.00</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Craig Ward in the total amount of \$1,200 in favor of Urban Youth Academy's General Fund.

Check # 1651 was signed by Franklin Carter and Tom Schaefer. Check # 4008 and # 4052 were both signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Tom Schaefer, jointly and severally, in the amount of \$80 (check # 1651) and in favor of Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$1,120 and in favor of the Urban Youth Academy's General Fund. Franklin Carter, Tom Schaefer, and Ed Dudley shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Craig Ward.

Payments to Dr. Carl Robinson:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|-------------------|--------------------|----------------------------------|
| 4/23/08 | 4087 | Dr. Carl Robinson | \$ 7,000.00 | Lack of supporting documentation |
| 3/1/08 | 4016 | Dr. Carl Robinson | 1,500.00 | Lack of supporting documentation |
| 3/14/08 | 4040 | Dr. Carl Robinson | 1,500.00 | Lack of supporting documentation |
| 3/26/08 | 4045 | Dr. Carl Robinson | 2,500.00 | Lack of supporting documentation |
| | | | <u>\$12,500.00</u> | |

**FINDING NUMBER 2008-014
 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dr. Carl Robinson in the total amount of \$12,500 in favor of Urban Youth Academy's General Fund.

All of the aforementioned checks were signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$12,500 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Dr. Carl Robinson.

Payments to Aaron Ramsey:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|-----------------|----------------------------------|
| 2/13/08 | 4013 | Aaron Ramsey | <u>\$630.00</u> | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Aaron Ramsey in the total amount of \$630 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Ed Dudley.

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$630 and in favor of the Urban Youth Academy's General Fund. Ed Dudley shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Aaron Ramsey.

Payments to Michael Ward and Urban Management and Development (UMD):

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|-------------|------------------|----------------------------------|
| 8/22/06 | 1112 | UMD | \$ 1,500 | Duplicate reimbursement ck #1092 |
| 2/14/07 | 994 | UMD | 35,000 | Lack of original invoices |
| 2/15/07 | 995 | UMD | 10,000 | Lack of original invoices |
| 3/13/07 | 1002 | UMD | 71,800 | Lack of original invoices |
| 5/17/07 | 1484 | UMD | 25,064 | Lack of original invoices |
| 7/13/07 | 1538 | UMD | 5,000 | Lack of supporting documentation |
| 9/12/07 | 1588 | UMD | 9,396 | Lack of supporting documentation |
| 4/4/08 | 4062 | UMD | <u>7,000</u> | Lack of supporting documentation |
| | | | <u>\$164,760</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Ward and Urban Management and Development jointly and severally, in the total amount of \$164,760 in favor of Urban Youth Academy's General Fund.

Check # 4062 was signed by Ed Dudley. Check # 1112 was signed by Michael Ward and Franklin Carter. Check #s 995, 1002, and 994 were all signed by Franklin Carter. Check #s 1538, 1588, and 1484 were all signed by Franklin Carter and Tom Schaefer.

**FINDING NUMBER 2008-014
 (Continued)**

Accordingly, a Finding for Recovery is hereby issued against Ed Dudley in the amount of \$7,000 (check # 4062) and in favor of the Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Michael Ward, jointly and severally in the amount of \$1,500 (check # 1112) and in favor of the Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Franklin Carter, Tom Schaefer and Ohio Casualty Insurance Company, jointly and severally in the amount of \$39,460 (check #s 1538, 1588, and 1484) and in favor of the Urban Youth Academy's General Fund. Accordingly, a Finding for Recovery is hereby issued against Franklin Carter, jointly and severally in the amount of \$116,800 (check #s 994, 995, and 1002) and in favor of the Urban Youth Academy's General Fund. Ed Dudley, Michael Ward, Franklin Carter, Tom Schaefer and Ohio Casualty Insurance Company shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Mike Ward and Urban Management and Development.

Payments to Urban Management and Development (UMD):

Urban Youth Academy check number 993, dated February 14, 2007 was issued to Urban Management and Development in the amount of \$10,000 as reimbursement for the purchase of three 80-gallon water tanks. As support for the reimbursement, UMD President Michael Ward provided a copy of a UMD invoice that listed three water tanks installed at 1879 and 1883 Limestone, Springfield. No original documentation was provided to support the purchase of the three water tanks by UMD. According to Mr. Ward, the water tanks were installed by HBH Builders for the barbering and cosmetology schools.

Larry Hufford, owner of HBH Builders, stated that the installation of the water tanks was performed by Joe Gibson, a subcontractor. Mr. Gibson stated that he purchased and paid for the water tanks and included the cost in his bill to HBH Builders. We obtained invoices from Springfield Winnelson Company and Westwater Supply that showed that Mr. Gibson purchased the three water tanks for a total of \$1,245. UMD paid HBH Builders for the installation and was reimbursed by UYA check number 996.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is issued for public monies illegally expended in the amount of \$10,000 against Michael Ward, and Urban Management and Development, jointly and severally, and in favor of Urban Youth Academy.

Payments to Clarence Gage:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|---------------|---------------|---------------------------|
| 2/28/07 | 1344 | Clarence Gage | \$200.00 | Not a school benefit |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Clarence Gage in the total amount of \$200 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Michael Ward and Franklin Carter.

Accordingly, a Finding for Recovery is hereby issued against Michael Ward and Franklin Carter, jointly and severally, in the amount of \$200 and in favor of the Urban Youth Academy's General Fund. Michael Ward and Franklin Carter shall be liable for the illegal expenditures to the extent that the recovery or restitution is not obtained from Clarence Gage.

**FINDING NUMBER 2008-014
 (Continued)**

Payments by debit card in custody of Franklin Carter:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|-----------------------|---------------|----------------------------------|
| 9/25/06 | Debit | B. Dalton | \$ 61 | Lack of supporting documentation |
| 9/18/06 | Debit | Big Lots | 11 | Lack of supporting documentation |
| 9/11/06 | Debit | East Main Express | 3 | Lack of supporting documentation |
| 9/11/06 | Debit | Kroger | 73 | Lack of supporting documentation |
| 9/13/06 | Debit | Kroger | 22 | Lack of supporting documentation |
| 9/15/06 | Debit | Kroger | 53 | Lack of supporting documentation |
| 9/18/06 | Debit | Kroger | 36 | Lack of supporting documentation |
| 9/20/06 | Debit | Kroger | 11 | Lack of supporting documentation |
| 9/21/06 | Debit | Kroger | 15 | Lack of supporting documentation |
| 10/4/06 | Debit | Kroger | 10 | Lack of supporting documentation |
| 8/28/06 | Debit | Lee's Famous Recipe | 63 | Lack of supporting documentation |
| 9/8/06 | Debit | Lee's Famous Recipe | 71 | Lack of supporting documentation |
| 9/14/06 | Debit | Lee's Famous Recipe | 68 | Lack of supporting documentation |
| 9/22/06 | Debit | Lee's Famous Recipe | 54 | Lack of supporting documentation |
| 9/21/06 | Debit | Little Caesar's | 40 | Lack of supporting documentation |
| 8/28/06 | Debit | Lowe's | 71 | Lack of supporting documentation |
| 9/14/06 | Debit | Meijer | 66 | Lack of supporting documentation |
| 9/5/06 | Debit | Mendelson Electronics | 49 | Lack of supporting documentation |
| 8/28/06 | Debit | Office Max | 55 | Lack of supporting documentation |
| 9/5/06 | Debit | Office Max | 85 | Lack of supporting documentation |
| 9/15/06 | Debit | Office Max | 21 | Lack of supporting documentation |
| 9/18/06 | Debit | Office Max | 131 | Lack of supporting documentation |
| 9/25/06 | Debit | Rally's | 43 | Lack of supporting documentation |
| 9/14/06 | Debit | Taco Bell | 39 | Lack of supporting documentation |
| 9/22/06 | Debit | WalMart | 63 | Lack of supporting documentation |
| 12/26/06 | Debit | WalMart | 113 | Lack of supporting documentation |
| | | | \$1,327 | |

The aforementioned transactions resulted from the use of a debit card which was in the custody of Franklin Carter.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Franklin Carter in the total amount of \$1,327 in favor of Urban Youth Academy's General Fund.

Payments to Michael Ward:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|---------------|----------------------------------|
| 10/11/06 | 1202 | Michael Ward | \$549.00 | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Michael Ward in the total amount of \$549 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Franklin Carter and Joanna Ward.

**FINDING NUMBER 2008-014
 (Continued)**

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Joanna Ward, jointly and severally, in the amount of \$549 and in favor of the Urban Youth Academy's General Fund. Franklin Carter and Joanna Ward shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Michael Ward.

Payments to Tony Johnson:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|-----------------|----------------------------------|
| 12/1/06 | 1257 | Tony Johnson | <u>\$200.00</u> | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Tony Johnson in the total amount of \$200 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Franklin Carter and Michael Ward.

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter and Michael Ward, jointly and severally, in the amount of \$200 and in favor of the Urban Youth Academy's General Fund. Franklin Carter and Michael Ward shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Tony Johnson.

Payments to Angela Tyler:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------|-----------------|----------------------------------|
| 9/28/07 | 1615 | Angela Tyler | <u>\$400.00</u> | Lack of supporting documentation |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Angela Tyler in the total amount of \$400 in favor of Urban Youth Academy's General Fund.

The aforementioned check was signed by Franklin Carter and Tom Schaefer.

Accordingly, a Finding for Recovery is hereby issued against Franklin Carter, Tom Schaefer and Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of \$400 and in favor of the Urban Youth Academy's General Fund. Franklin Carter, Tom Schaefer and Ohio Casualty Insurance Company shall be liable for the illegal expenditure to the extent that the recovery or restitution is not obtained from Angela Tyler.

**FINDING NUMBER 2008-014
(Continued)**

Payments to Vendors by Ed Dudley:

| <u>Date</u> | <u>Check #</u> | <u>Name</u> | <u>Amount</u> | <u>Reason for finding</u> |
|-------------|----------------|--------------------|-----------------|----------------------------------|
| 3/14/08 | 4024 | WDHT-FM | \$ 250 | Lack of supporting documentation |
| 4/9/08 | 4071 | ADP | 3,730 | Lack of supporting documentation |
| 3/4/08 | 4020 | Queens LLC | 2,100 | Lack of supporting documentation |
| 4/8/09 | 4067 | Queens LLC | 2,595 | Lack of supporting documentation |
| 3/4/08 | 4041 | Braxton Consulting | 1,500 | Lack of supporting documentation |
| 4/4/08 | 4055 | Braxton Consulting | 5,000 | Lack of supporting documentation |
| | | | <u>\$15,175</u> | |

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ed Dudley in the total amount of \$15,175 in favor of Urban Youth Academy's General Fund.

The aforementioned checks were all signed by Ed Dudley.

Officials Response:

We did not receive a response from officials except for finding 2008-002.

**URBAN YOUTH ACADEMY, INC.
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE PERIOD ENDED MAY 9, 2008 AND JUNE 30, 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2006-001 | Finding for Recovery in the amount of \$640 for expenses paid by the Academy instead of the management company - Repaid Under Audit. | Yes | Corrected |
| 2006-002 | Substantial doubt about the Academy's ability to continue operations. | No | School was closed by the sponsor on May 9, 2008. |
| 2006-003 | Maintain accurate leave records which report the accumulation and use of sick leave, personal leave, and vacation leave. | No | School was closed by the sponsor on May 9, 2008. |
| 2006-004 | ORC § 3309.47, timely payment of School Employee Retirement System obligations. | No | School was closed by the sponsor on May 9, 2008. |



Mary Taylor, CPA
Auditor of State

URBAN YOUTH ACADEMY

CLARK 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
FEBRUARY 11, 2010**