



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST  
Auditor of State

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PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Statement of Cash Bank Balance .....	3
Notes to the Financial Statements .....	5
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	7
Schedule of Findings.....	9
Schedule of Prior Audit Findings.....	19

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Pace Career Central Community School  
Montgomery County  
4128 Cedar Ridge Avenue  
Dayton, Ohio 45414

To the Governing Board:

We were engaged to audit the financial statements of Pace Career Central Community School, Montgomery County, (the School), as of and for the year ended June 30, 2009 and period ended October 13, 2009. The financial statements are the responsibility of the School's management.

As discussed in Note 5, the School closed effective October 13, 2009. The School failed to prepare or file financial statements with the Auditor of State for the period of time covered by this engagement. Government Accounting Standards Board (GASB) Statements provides the minimum requirements for external financial reporting, which include the Management Discussion and Analysis (MD&A), the financial statements including the Statement of Net Assets, the Statement of Revenues, Expenditures, and Changes in Net Assets, and if required the Statement of Cash Flows, and the Notes to the Financial Statements. Since there was no management from the School, the Auditor of State in the preparation of financial statements was required to make management decisions; thus, the Auditor of State had independence impairment for this engagement. *Government Auditing Standards* also considers this service to impair the independence of the Auditor of State to audit the School.

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 School'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 School'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 or 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.

The School did not maintain supporting documentation for bank reconciliations; student full-time equivalencies reported to the Ohio Department of Education (ODE); (the full-time equivalencies are used by ODE to calculate the School's State Foundation Settlement payments); certain non-payroll transactions totaling \$33,686; capital asset listing; and debt transactions to support the financial activity of the School's operations for the period ended October 13, 2009. Further, the School's records do not permit the application of other auditing procedures. In addition, we prepared the School's financial statement and notes to the financial statement. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the School.

Since the School did not provide the evidence described in paragraphs two through four above, and the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial activity referred to in the first paragraph.

As indicated in Note 5, Pace Career Central Community School was placed under suspension by its sponsor, Lucas County Educational Service Center on August 7, 2008. The School has not had any students since June 30, 2008 and on October 13, 2009; the School's sponsor closed the school.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Generally Accepted Accounting Principles also requires the School to include Management's Discussion and Analysis. The School has not presented Management Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

The School has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. The Auditor of State had billed the School for audit services provided for fiscal year 2007, 2008, and 2009. However due to the independence impairment discussed in paragraph 2, we were unable to opine on this School.



**Mary Taylor, CPA**  
Auditor of State

November 18, 2010



**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**STATEMENT OF CASH BANK BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009 AND  
FOR THE PERIOD ENDED OCTOBER 13, 2009**

	<u>Amount</u>
Cash Bank Balance July 1, 2008	<u>\$33,610</u>
Cash Bank Balance June 30, 2009	<u>\$13,565</u>
Cash Bank Balance October 13, 2009	<u>\$ 97</u>

*See accompanying notes to the financial statements.*

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**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009 AND  
FOR THE PERIOD ENDED OCTOBER 13, 2009**

**1. DESCRIPTION OF THE SCHOOL**

The Pace Career Central Community School (the "School"), is an Ohio Public Benefit Corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades 9 through 12. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School is a non-profit organization that has obtained exemption from federal income taxes as a tax exempt organization under Section 501(C)(3) of the Internal Service Revenue Code.

The School contracted with AM Solutions on July 29, 2008 (RJ Investments was reorganized as AM Solutions) to perform extended education services, such as contract for goods and services, provide transportation, and provide marketing/ public relations services.

The School was approved for operation under contract with the Lucas County Educational Service Center (the "Sponsor") commencing September 20, 2004 and ending June 30, 2009. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Pace Career Central Community School was placed under suspension by their sponsor, Lucas County Educational Service Center on August 7, 2008. On October 13, 2009; the School's sponsor closed the School.

The School operates under the direction of a five-member Governing Board. The 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

In prior years the financial statements of the School were prepared in conformity with generally accepted accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also previously applied Financial Accounting Standards Board (FASB) statements and interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. Previously, the School had elected not to apply FASB Statements and Interpretations issued after November 30, 1989

The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The basis of presentation is the cash bank balance only.

**B. Cash**

All monies received by the School are maintained in demand deposit accounts. For internal accounting purposes, the School segregates its cash. Total cash in the bank for all funds is presented on the accompanying Statement of Cash Bank Balance.

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30 2009 AND  
FOR THE PERIOD ENDED OCTOBER 13, 2009  
(Continued)**

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

**C. Intergovernmental Revenues**

The School participated in the State Foundation Program and Poverty-Based Assistance Program. Revenues from these programs are in the accounting period in which all eligibility requirements have been met because these programs are used to support the main operations of the School.

Grants and entitlements are recognized in the accounting period in which all eligibility requirements have been met.

**D. Accrued Liabilities**

Obligations incurred but unbilled prior to January 31, 2010 are not reported as accrued liabilities in the accompanying financial statements.

**E. Budgetary Process**

Unlike other public schools 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 School and its Sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

**3. DEPOSITS**

At June 30, 2009 and October 13, 2009, the Cash Bank Balance was \$13,565 and \$97 respectively.

**4. CONTINGENCIES**

**A. Grants**

The School received financial assistance from federal and State agencies in the form of grants. The expenditure 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.

**B. Ohio Department of Education Enrollment Review**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. The results of this review could result in state funding being adjusted.

**5. SCHOOL CLOSURE**

The School was approved for operation under contract with the Lucas County Educational Service Center (the "Sponsor") commencing September 20, 2004 and ending June 30, 2009. The Sponsor is responsible for evaluation the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. Pace Career Central Community School was place under suspension by their sponsor, Lucas County Educational Service Center on August 7, 2008. On October 13, 2009, the School's sponsor closed the School.



# 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

Pace Career Central Community School  
Montgomery County  
4128 Cedar Ridge Avenue  
Dayton, Ohio 45414

To the Governing Board:

We were engaged to audit the financial statements of the Pace Career Central Community School, Montgomery County, (the School), as of and for the year ended June 30, 2009 and period ended October 13, 2009, and have issued our report thereon dated November 18, 2010, wherein we did not express an opinion because the School 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, nor did it provide supporting documentation for bank reconciliations; student full-time equivalencies reported to the Ohio Department of Education (ODE); the full-time equivalencies are used by ODE to calculate the School's State Foundation Settlement payments; certain non-payroll transactions totaling \$33,686; capital asset listing; and debt transactions to support the financial activity of the School's operations for the period ended October 13, 2009. We also noted management failed to provide the Auditor of State certain representations as required by auditing standards generally accepted in the United States of America and the School has unpaid audit fees.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-003 to be material weaknesses.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the School'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 2009-001 through 2009-006.

The Sponsor's response to finding 2009-002 identified in our audit is described in the accompanying schedule of findings. We did not audit the Sponsor's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management, Governing Board, the Lucas County Educational Service Center, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 18, 2010

**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009 AND  
FOR THE PERIOD ENDED OCTOBER 13, 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Noncompliance Citation/Material Weakness**

**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. **Ohio Revised Code Section 149.011(G)** states that records, for purposes of the public records law, includes 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. In addition, **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.

**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.

During the period tested the School had the following deficiencies in maintaining adequate public records:

- No bank reconciliations or bank statements were provided for audit or review. The Auditor of State (AOS) could not determine if cash in the bank agreed to cash on the book. AOS had to obtain bank statements from the bank.
- No capital asset listing was provided for audit.
- No debt records were provided for audit.
- Certain payroll records (941s (Employer Quarterly Federal Tax Return), State Teacher Retirement System (STRS), or School Employees Retirement System (SERS) etc.), were not provided for audit. Due to not having these records, we were unable to test payroll expenditures accruals such as intergovernmental payable, accrued wages, or compensated absences.
- Certain non-payroll transactions totaling \$33,686 - (check register, purchase orders, invoices, cancelled checks or expenditure ledger, etc.) was not provided by the school for audit.
- No documentation for student full-time equivalencies reported to the Ohio Department of Education (ODE).

Failure to retain public records resulted in the failure of the School being able to provide us with financial statements and the inability to detect errors or irregularities in the normal course of business.

**Officials' Response**

We did not receive a response from School Officials to this finding.

**FINDING NUMBER 2009-002**

**Noncompliance Citation/Material Weakness**

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

The guidance adopted by the Department of Education 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. When the school closes the following actions should be taken:

- A. Notify Ohio Department of Education that the school is closing and send the board resolution or sponsor notice within 24 hours of the action.
- B. Notify the Ohio State Teachers Retirement System and School Employees Retirement System.
- C. The sponsor shall immediately take control of and secure all school records, property and assets when the school closes:
  1. A final FTE review shall be requested while student records are on site at the closed school;
  2. Student records shall be provided to all resident districts within seven business days of closure of the school as defined in section 3314.44 of the revised code;
  3. IEP records shall be provided directly to receiving school special education administrators for all students with disabilities, particularly for students with physical needs or low incidence disabilities.
- D. Notify the school's staff of decision to close school:
  1. Provide a clear written timeline of the closing process;
  2. Ensure that STRS and SERS contributions are current;
  3. Clarify COBRA benefits and when medical benefits end;
  4. Remind the faculty of their contractual obligation to teach up to the date of closing; and,
  5. Ensure that each faculty's LPDC information is current and available to the teachers;
  6. Provide sponsor contact person information to all staff;
- E. Notify resident districts and other stakeholders of decision to close the school:
  1. Notify all resident districts, districts providing transportation and parents with a written timeline of the closing process;
    - a. Send notifications 30 days prior to planned closures
    - b. Send notifications immediately for emergency closures
    - c. Notify county courts for court-placed students
  2. Provide the reasons for closing and sponsor contact information;
  3. Provide parents instructions about enrollment options at other community, traditional public, and nonpublic schools, including contact information;
  4. Provide a written procedure with contact information for requesting student records by parents and receiving schools;
  5. Notify the Information Technology Center (ITC) and arrange for a method by which all outstanding EMIS data will be reported (note: all fiscal year EMIS data must be submitted even if the school closes prior to the required submission date):



**FINDING NUMBER 2009-002  
(Continued)**

6. Notify the Office of Community Schools (OCS) to eliminate all SAFE, CCIP and other ODE account logins for personnel associated with the closed school with the exception of designated closing process reporting personnel;

F. Notify the Public:

Prepare written press releases for the local media specific to the school that can be disseminated to media and provide name and phone of the school spokesperson

- G. Submit all outstanding Federal Programs and other competitive award FER and APR reports to ODE including Title I using the CCIP

- H. Keep State and Federal Assets separated for purposes of disposition. Account for all school property throughout the closing process by distinguishing state from federal Dollars:

Review the financial records of the school;

1. Establish the fair market (initial and amortized) value via fixed assets policy, for all fixed assets;
2. Establish check off list of purchasers with proper USAS codes (599), state codes (001,499), the price of each item and identify the source of funds;
3. Establish legal authority for payment processes (e.g. checks, cash, credit cards, etc.); and,
4. Establish disposition plan for any remaining items.
5. Identify any State Facilities Commission guarantees.

I. Make disposition of the school's fixed assets:

1. Offer real property acquired from a public school district to that school district's board first and at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
2. For Federal Title and other consolidated and competitive funds, follow Edgar liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater;
3. Current Public Charter School Program (PCSP) grant period assets must first be offered to other community schools 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) Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
  - b) Follow EDGAR liquidation procedures in 34 CFR 80.32 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.
  - g) 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 accepting district.

**FINDING NUMBER 2009-002  
(Continued)**

- J. Utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following in order:
1. STRS/SERS/retirement and other adjustments;
  2. Teachers and staff;
  3. Audit preparation (prepared financials);
  4. Private creditors;
  5. Foundation overpayments;
  6. Resident school districts pro-rated for students attending the community school.
- K. Preparation of Itemized Financials:
- Review and prepare the following itemized financials:
1. Fiscal year-end financial statements;
  2. A cash analysis (taking the previous month's recap and determining the cash balance as of the closing date);
  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 provide 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 any petty cash and provide to sponsor;
  8. A list of bank accounts, closing the accounts once all transactions are cleared; and,
  9. A list of all payroll reports including taxes, retirement, or adjustments on employee contract.
  10. A list of all account receivable.
- L. Arrange for and establish a date for an independent accounting firm or the Auditor of State to perform a financial closeout audit.

There was no documentation or evidence provided that the School Administrator or Sponsor followed the school closing procedures C2-C3, F, G, H1-H3, K1-K3, K5-K6, and K8-K9 as listed above when the School closed which resulted in the School not presenting liabilities and other financial statement information that users of the financial statements would need to assess the financial position of the School.

We recommend the School and/or Sponsor contact ODE to rectify any outstanding items associated with the closing of the school.

**Officials' Response:** The requirements imposed on sponsors by the Ohio Department of Education's community school closure guidance, including but not limited to items C2-C3, F, G, H1-H3, K1-K3, K5-K6, and K8-K9, are not expressly permitted by Ohio statutes or duly adopted rules under R.C. 3314.015(F). The Department's school closure guidance does not take effect until it is promulgated under R.C. Chapter 119. See R.C. 119.02. Nevertheless, the Sponsor performed the closure functions after the school's governing authority and administration did not carry out their closure responsibilities.

**Auditor of State Analysis:**

The ODE is the funding source for the School and has informed the Auditor of State that closing procedures are mandated pursuant to Ohio Rev. Code Section 3314.015(E), and that rules are not required to be promulgated under Ohio Rev. Code Chapter 119. The School/Sponsor should direct any concerns regarding the promulgation of the procedures to the ODE. This matter will be referred to the Department of Education.

### FINDING NUMBER 2009-003

#### Noncompliance Citation/Material Weakness

**Ohio Administrative Code Section 117-2-03(B)** requires 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 School failed to prepare and file an annual financial report as prescribed by the above section for year ended June 30, 2009.

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;
- Basis financial statements which include;
- Statement of Net Assets;
- Statement of Revenues, Expenditures, and Changes in Net Assets; and
- Statement of Cash Flows.

Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements. The more significant notes are identified as follows:

- Summary of significant accounting policies;
- Budgeting;
- Receivables;
- Payables;
- Capital Assets;
- Definition of cash and cash equivalents used in the statement of cash flows;
- Policy regarding the use of FASB pronouncements;
- Cash deposits with financial institutions;
- Investment (if applicable);
- Purchased Services;
- Capital Leases;
- Non-Capital (Operating) Leases;
- Risk Management;
- Debt service requirements to maturity;
- Significant contingent liabilities;
- Significant effects of events subsequent to the balance sheet date; and
- Annual pension costs and obligations; and commitments under leases.

The above notes to the financial statements are not all inclusive and additional disclosures should be made if necessary.

**FINDING NUMBER 2009-003  
 (Continued)**

It is vital that the School develop and present financial statements which are comprised of all required financial statements and disclosures. Without these disclosures the financial statements are incomplete and the users of the financial statement information cannot assess the financial position of the School, information could be misinterpreted, and improper conclusions could be reached.

**Officials' Response:** We did not receive a response from School Officials to this finding.

**FINDING NUMBER 2009-004**

**Finding for Recovery – Expenditures Lacking Proper Supportive Documentation**

**34 CFR 80.37(a)** requires that sub grantees follow Federal and State laws and that a provision for compliance with § 80.42 is placed in every cost reimbursement sub grant.

**34 CFR 80.42** requires grantees or sub grantees of Federal funds to maintain all financial and programmatic records, supporting documents, statistical records, and other records of which are: (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

Further, **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 and 3327.10 of the Ohio Rev. Code.

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

The School reimbursed RJ Investments/AM Solutions from the Federal 21<sup>st</sup> Century Grant for expenditures totaling \$8,230 involving costs for transporting students to and from school facilities.

RJ Investments/AM Solutions failed to produce any records or documentation regarding students that were transported. All the reimbursements were requested by and made directly to Joe Singleton, president of RJ Investments/AM Solutions.

The School's failure to require and maintain adequate student records that support transportation expenditures resulted in a loss of accountability over the School's finances and expenditures that could not be determined if they were for a proper public purpose.

The School lacked the proper documentation for the following reimbursements made to Joe Singleton of RJ Investment/AM Solutions relating to the transportation of students:

<u>Check Number</u>	<u>Check Date</u>	<u>Payable to</u>	<u>Amount</u>
2085	7/03/2008	RJ Investments	\$2,615.00
2106	7/30/2008	AM Solutions	1,500.00
2110	8/1/2008	AM Solutions	4,115.00
		Total	<u>\$8,230.00</u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is issued against Joe Singleton, DBA, RJ Investments/AM Solutions in the total amount of \$8,230.00 and in favor of the Ohio Department of Education.

**FINDING NUMBER 2009-004  
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure 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 Phyllis Bixler, Treasurer, and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of \$8,230.00, and in favor of the Ohio Department of Education. Phyllis Bixler and her bonding company shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA RJ Investments/AM Solutions.

In addition, **Ohio Rev. Code Section 3327.10** states in pertinent part:

- (A) No person shall be employed as driver of a school bus or motor van, owned and operated by any school district or education service center or privately owned and operated under contract with any school district or service center in this state who has not received a certificate from the school administrator or contractor certifying that such person is at least eighteen years of age, is of good moral character, and is qualified physically and other wise for such position. Each driver shall have an annual physical examination which conforms to the state highway patrol rules, ascertaining the driver's physical fitness for such employment.
- (B) Further, any person who drives a school bus or motor van must give satisfactory and sufficient bond except a driver who is an employee of a school district and who drives a bus or motor van owned by the school district.
- (C) Any person who drives a school bus or motor van must give satisfactory and sufficient bond except a driver who is an employee of a school district and who drives a bus or motor van owned by the school district.
- (F)(3) An owner of a school bus or motor van shall not permit any person to operate such a vehicle unless the person meets all other requirements contained in rules adopted by the state board of education prescribing qualifications of drivers of school buses and other student transportation.
- (G) No superintendent of school district, educational service center, community school, or public or private employer shall permit the operation of a vehicle used for pupil transportation within this state by an individual unless both of the following apply:
  - 1) Information pertaining to that driver has been submitted to the department of education, pursuant to procedures adopted by the department. Information to be reported shall include the name of the employer or school district, name of the driver, driver license number, date of birth, date of hire, status of physical evaluation, and status of training.
  - 2) The most recent criminal records check required by division (J) of this section, including information from the federal bureau of investigation, has been completed and received by the superintendent of public or private employer.

The Ohio Department of Education (ODE) has no record that the School or RJ Investments/AM Solutions complied with Ohio law and the Department's requirement that the driver and vehicle used to transport students is registered with the ODE.

**FINDING NUMBER 2009-004  
 (Continued)**

Further, **Ohio Rev. Code Sec. 4511.763 (A)** states that no person, partnership, association, or corporation shall transport pupils to or from school on a school bus or enter into a contract with a board of education of any school district for the transportation of pupils on a school bus, without being licensed by the department of public safety.

The Ohio Department of Public Safety has no record of Joe Singleton or RJ Investments/AM Solutions being licensed to transport student as required by law.

This matter will be referred to the Ohio Department of Education

**Officials' Response:** We did not receive a response from School Officials to this finding.

**FINDING NUMBER 2009-005**

**Finding For Recovery – Payment of Expenditures Lacking Proper Supportive Documentation or Evidence of Proper Public Purpose**

The Supreme Court case State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The School reimbursed AM Solutions for two expenditures totaling \$1,666 that lacked supporting original vendor invoices and any type of payment receipts documenting proof of payment from AM Solutions to the vendor.

The School's failure to require and maintain adequate support for expenditures resulted in a loss of accountability over the School's finances.

The School lacked the proper supportive documentation for the following purchases made by Joe Singleton and AM Solutions:

<u>Check Number/ Check Card</u>	<u>Date</u>	<u>Payable to</u>	<u>Questioned Amount</u>
2106	7/30/2008	AM Solutions	\$ 833
2110	8/01/2008	AM Solutions	833
		Total	<u>\$1,666</u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is issued against Joe Singleton, DBA, AM Solutions in the total amount of \$1,666 and in favor of the Ohio Department of Education.

**FINDING NUMBER 2009-005  
(Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure 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 Phyllis Bixler, Treasurer, and her bonding company, the Cincinnati Insurance Company, jointly and severally, in the total amount of \$1,666.00, and in favor of the Ohio Department of Education. Phyllis Bixler and her bonding company shall be liable for such applicable illegal expenditures to the extent that recovery or restitution is not obtained from Joe Singleton, DBA AM Solutions.

**Officials' Response:** We did not receive a response from School Officials to this finding.

**FINDING NUMBER 2009-006**

**Finding For Recovery – Payment of Expenditures Lacking Proper Supportive Documentation or Evidence of Proper Public Purpose**

The Supreme Court case State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing McClure, provides guidance as to what may be construed as a proper public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditures is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

On August 7, 2008 the School's operation was suspended by the Sponsor (Lucas County Educational Service Center). Upon receipt of the suspension notice, the School shall cease operations the next business day. By suspending the School's operations, the School is not permitted to serve students. While the suspension is in effect the School shall not operate until written notice is received from the Sponsor that the suspension is no longer in effect. Additionally, the School withdrew a total of \$50,000 under a Line of Credit in January and February, 2009. Finally, on October 13, 2009 the Sponsor closed the School. The School continued to expend monies after ceasing operations.

The management company, Joe Singleton DBA AM Solutions made numerous expenditures totaling \$31,504 that lacked supporting original vendor invoices after the Treasurer resigned in February 2009 and the School operation was placed on suspension and subsequently closed by the Sponsor.

The School's failure to require and maintain adequate support for expenditures resulted in a loss of accountability over the School's finances.

The School lacked the proper supportive documentation for the following purchases made by Joe Singleton and AM Solutions:

**FINDING NUMBER 2009-006  
 (Continued)**

<b>Check Number/ Check Card</b>	<b>Date</b>	<b>Payable to</b>	<b>Questioned Amount</b>
Check Card	10/28/2008	Enterprise Rent-A-Car	\$ 104
Check Card	11/24/2008	Office Depot	346
Check Card	1/26/2009	Staples	184
Check Card	2/09/2009	Staples	183
Check Card	2/09/2009	Best Buy	513
Check Card	3/05/2009	Office Depot	56
Check Card	3/30/2009	Office Depot	136
Check Card	3/30/2009	Office Depot	42
Check Card	4/06/2009	Vectren Energy Delivery of Ohio	182
Check Card	4/06/2009	Vectren Energy Delivery of Ohio Speedpay	4
Check Card	4/08/2009	Dayton Power and Light	375
Check Card	4/08/2009	Dayton Power and Light Speedpay	4
2170	4/10/2009	Platinum Technology	1,800
Check Card	4/20/2009	Rich Oil	25
Check Card	4/20/2009	Shell Oil	25
Check Card	4/23/2009	Time Warner Cable	264
2171	5/06/2009	Ulmer & Berne, LLP	5,000
2172	5/08/2009	Pressley Storage	1,960
2173	5/22/2009	Pressley Storage	1,960
Check Card	5/26/2009	Dayton Tire Sales	205
Check Card	6/03/2009	Dayton Power and Light	606
Check Card	6/03/2009	Dayton Power and Light Speedpay	4
2174	6/08/2009	Pressley Storage	1,960
2175	6/19/2009	Pressley Storage	1,960
2176	6/23/2009	Ashley Nicholson	1,000
Check Card	6/23/2009	Tractor Supply Company	188
Check Card	7/01/2009	Sprint Wireless	2,281
2178	7/13/2009	Pressley Storage	1,960
2177	8/07/2009	Randy Cole, Jr.	2,000
2179	8/12/2009	Ulmer & Berne, LLP	4,000
2180	8/12/2009	Julian & Grube, Inc.	500
2181	8/12/2009	Lamont Hoard	600
2182	8/14/2009	Lamont Hoard	550
2183	8/14/2009	Randy Cole, Jr.	450
Check Card	8/17/2009	U-Haul Salem Avenue Moving	77
		<b>Total</b>	<b>\$31,504</b>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is issued against Joe Singleton, DBA. AM Solutions in the total amount of \$31,504 and in favor of the Ohio Department of Education.

**Officials' Response:** We did not receive a response from School Officials to this finding.



**PACE CAREER CENTRAL COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE PERIOD ENDING JANUARY 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2008-001	Workforce Investment Act Grant Receipts and State Foundation Receipt	Unknown	Could not verify, lack of accounting records
2008-002	Failure to Adopt Policy Regarding the Enrollment and Withdrawal of Students	Unknown	Could not verify, lack of records
2008-003	OAC 117-2-02 (D)(4)(c) Lack of Capital Asset Records	No	Reissued as 2009-001
2008-004	ORC 3314.02 (E)(3) and Part II K of the Community School Contract – The Board included one member of Management Company	Unknown	Could not verify, lack of records
2008-005	ORC 149.351 (A) – Not maintaining supporting documentation for receipts or payments.	No	Reissued as 2009-005 and 2009-006

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Mary Taylor, CPA  
Auditor of State

**PACE CAREER CENTRAL COMMUNITY SCHOOL**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 20, 2011**