



Dave Yost • Auditor of State

**WEEMS SCHOOL
CUYAHOGA COUNTY
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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Resource Consultants of Ohio
Attn: J. Leonard Harding, Executive Director
Spectrum Office Tower
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To Weems School and the Sponsor:

We were engaged to audit the accompanying basic financial statements of Weems School, Cuyahoga County, Ohio (the School), as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management.

The School did not maintain supporting documentation for 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. The amount shown as Foundation Payment revenue of \$759,652 on the School's Statement of Revenues, Expenses, and Changes in Net Assets was unsubstantiated.

The School did not provide supporting documentation for the purchased services, materials and supplies, depreciation and miscellaneous expenditures representing 11 percent of expenditures. As a result, we were unable to gain assurance over completeness of expenditures.

The School failed to develop a capital asset accounting system, failed to maintain original supporting documentation to itemize and identify capital assets purchased, failed to identify the location of assets within the School, or develop and/or implement procedures to record capital asset additions and deletions. Therefore, we were unable to gain assurances over completeness of the capital assets reported on the financial statements.

The School failed to provide a general ledger, trial balances, or other supporting documentation to support the amounts presented in the financial statements. They also did not maintain documentation to support the Notes to the Financial Statements. Governmental Accounting and Financial Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements.

We were unable to obtain evidence of Board approval of the salary and wage amounts paid to the employees. In addition, the School did not have on file employment contracts for all employees and personnel files were not available for all employees. As a result, we were not able to verify the accuracy of the amount reported on the financial statements as related to Salaries, Wages & Fringe Benefits.

The School did not provide supporting documentation for the liabilities reported on the financial statements.

Auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards* require us to obtain written representations from management. Management has not provided the Auditor of State 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, 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 regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

AU Section 337 permits auditors to rely on the judgment of lawyers and management as to the disclosure of unasserted claims. Letters of audit inquiry sent to the School's legal counsel were not responded to. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

Since the School did not provide sufficient evidential matter or written representation as described in paragraphs two through eight above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion of these financial statements referred to above for the year ended June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, 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.

The School had a net deficit (\$91,922) as of June 30, 2007. The School was closed on June 18, 2009 by the Ohio Department of Education due to financial viability & other contractual non-compliance.

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. Since we were unable to express an opinion on the basic financial statements, we could not apply certain limited procedures to the required supplementary information. We did not audit the information and express no opinion on it.

We were engaged to conduct an audit and opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The federal awards receipts and expenditure schedule is management's responsibility. We were unable to conduct our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

June 30, 2011

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**Weems School
Cuyahoga County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

(Unaudited)

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

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key Financial Highlights for the School for fiscal year 2007 are as follows:

- Total net assets were \$(91,922)
- The School received \$759,652 in foundation revenue, and grant subsidy revenue totaling \$602,280.
- Total operating revenues were \$795,212 and total operating expenses during the fiscal year were \$1,517,238

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentation information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid. This statement reports the School's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the School.

**Weems School
Cuyahoga County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

(Unaudited)

Table 1 provides a summary of the School's net assets for fiscal years 2007 and 2006.

Table 1 Net Assets		
	2007	2006
Current Assets	\$ -	\$ 58,217
Capital Assets, Net	<u>51,006</u>	<u>-</u>
Total Assets	51,006	58,217
Current Liabilities	<u>142,928</u>	<u>30,393</u>
Total Liabilities	142,928	30,393
Net Assets:		
Unrestricted	<u>(91,922)</u>	<u>27,824</u>
Total Net Assets	<u>\$ (91,922)</u>	<u>\$ 27,824</u>

Total liabilities represent accounts payable, accrued wages and benefits payable, intergovernmental payables and bank overdraft.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 and June 30, 2006, as well as revenues and expenses.

Table 2 Changes in Net Assets		
	2007	2006
Operating Revenues:		
Foundation payments	\$ 759,652	\$ 1,085,237
Other Operating Revenues	35,560	10,096
Non-Operating Revenues:		
Federal & State Subsidies	<u>602,280</u>	<u>5,200</u>
Total Revenues	1,397,492	1,100,533
Operating Expenses:		
Salaries & Wages	445,921	223,358
Fringe Benefits	143,560	105,970
Purchased Services	831,213	593,208
Materials & Supplies	86,465	76,005
Depreciation	8,518	-
Miscellaneous	<u>1,561</u>	<u>74,168</u>
Total Expenses	1,517,238	1,072,709
Change in Net Assets	<u>\$ (119,746)</u>	<u>\$ 27,824</u>

**Weems School
Cuyahoga County**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

(Unaudited)

The most significant source of revenue for the school was foundation revenue which totaled \$759,652. The largest component of total operating expenses is the purchased services portion, which consisted of those operating expenses incurred for professional and technical services, property services, travel, communication expenses, contract service expenses, and costs related to pupil transportation.

Restrictions and Other Limitations

The future financial stability of the School is not without challenges.

The first challenge is the state economy. The School does not receive any funds from taxes. The primary source of funding is the state foundation program. An economic slowdown in the state could result in budgetary cuts to education, which would have a negative impact on the School.

The second challenge facing the School is the future of state funding. On October 6, 2004, a suit was filed in the US District Court challenging the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The School is unable to determine what effect, if any, this suit might have on future funding from the State.

Contacting the School

This financial report is designed to provide a general overview of the finances of The Weems School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Sponsor, Educational Resource Consultants of Ohio 11260 Chester Road, Suite 230, Cincinnati, Ohio 45246.

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**Weems School
Cuyahoga County
Statement of Net Assets
as of June 30, 2007**

Assets

Current Assets

Cash and Investments	\$ -
Capital Assets, Net	51,006
Total Current Assets	<u>51,006</u>
 Total Assets	 <u><u>\$ 51,006</u></u>

Liabilities

Current Liabilities

Accrued Wages & Benefits	\$ 53,217
Payable to State Pension Systems	3,888
Bank Overdraft	85,823
Total Current Liabilities	<u>142,928</u>
 Total Liabilities	 <u>\$ 142,928</u>

Net Assets

Unrestricted	(91,922)
Total Net Assets	<u><u>\$ (91,922)</u></u>

The accompanying Notes are an integral part of the Financial Statements

**Weems School
Cuyahoga County
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
for the Fiscal Year ended June 30, 2007**

Operating Revenues	
Foundation Payments	\$ 759,652
Other Operating Revenues	35,560
Total Operating Revenues	<u>795,212</u>
Operating Expenses	
Salaries & Wages	445,921
Fringe Benefits	143,560
Purchased Services	831,213
Materials & Supplies	86,465
Depreciation	8,518
Miscellaneous	1,561
Total Operating Expenses	<u>1,517,238</u>
Operating Income	\$ (722,026)
Non-Operating Revenues	
Grant Subsidies	602,280
Total Non-Operating Revenues	<u>602,280</u>
Net Income	(119,746)
Net Assets Beginning of Year	27,824
Net Assets End of Year	<u>\$ (91,922)</u>

The accompanying Notes are an integral part of the Financial Statements

**Weems School
Cuyahoga County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2007**

Cash Flows from Operating Activities

Cash received from Foundation Payments	\$ 759,652
Cash received from other operating revenues	35,560
Cash payments for personal services	(554,254)
Cash payments for contract services	(839,265)
Cash payments for supplies and materials	(86,465)
Cash payments for miscellaneous	(2,024)
Net Cash Provided By/(Used for) Operating Activities	<u>(686,796)</u>

Cash Flows from Noncapital Financing Activities

Cash from Federal & State Subsidies	<u>602,280</u>
Net Cash from Noncapital Financing Activities	<u>602,280</u>

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	(59,524)
Payments for Interest on Capital Acquisitions	-
Net Cash Used for Capital and Related Financing Activities	<u>(59,524)</u>

Cash Flows from Investing Activities

Interest on cash and cash equivalents	-
Net cash from investing activities	<u>-</u>

Net increase in cash and cash equivalents :	(144,040)
Cash and cash equivalents at beginning of year	<u>58,217</u>
Cash and cash equivalents at end of year	<u>\$ (85,823)</u>

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

Operating Loss	(722,026)
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**Adjustments to Reconcile Operating Income to Net
Cash Provided by (Used for) Operating Activities**

Changes in Assets and Liabilities:	
Accounts Payable	(9,988)
Accrued Wages and Benefits	36,731
Payable to State Pension Systems	(31)
Total Adjustments	<u>35,230</u>

Net cash provided (used) by operating activities	<u>\$ (686,796)</u>
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The accompanying Notes are an integral part of the Financial Statements

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**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Weems School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through eighth grade. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any necessary services necessary for the operation of the school.

The School was approved for operation under contract with the Educational Resource Consultants of Ohio, Inc.,(the Sponsor) for a period of one year commencing July 21, 2005. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a five member Board of Trustees. 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. The Board of Trustees control the School's instructional/support facility staffed by seven certificated teaching personnel and ten classified staff members who provide services to 152 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School uses enterprise accounting to maintain its financial records during the school year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. Operating statements present increases and decreases in net total assets.

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash

All monies received by the School are maintained in a demand deposit account in the name of Weems School.

E. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

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

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

Amounts awarded under the above named programs for 2007 school year totaled \$1,361,932.

F. Accrued Liabilities Payable

The School has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2007, including:

Wages Payable – a liability has been recognized at June 30, 2007 for salary payments made after year-end that were for services rendered in fiscal year 2007.

Intergovernmental Payable – payment for the employer's share of the retirement contribution and Medicare associated with services rendered during fiscal year 2007, but where not paid until the subsequent fiscal year.

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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 these estimates.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. The carrying value of the School's deposits totaled \$(85,823), and the bank balance totaled \$22,581, all of which was covered by federal depository insurance therefore there is no custodial credit risk.

The School has no deposit policy for custodial credit 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 School 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 secured.

4. PURCHASED SERVICES

Purchased Services include the following:

Professional and Technical Services	\$ 420,435
Property Services	232,213
Travel	1,550
Communications	29,015
Contract Services	97,209
Pupil Transportation	<u>50,791</u>
Total Purchased Services	<u>\$ 831,213</u>

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School contracted with Indiana Insurance for property and for general liability insurance.

Commercial General Liability per occurrence	\$1,000,000
Personal Injury/Advertising Liability per person/org	1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence	4,000,000
Umbrella Liability aggregate	4,000,000
Fire Damage	300,000
Real and Personal Property	
Business Personal Property	150,000
Business Income/Extra Expense	325,000
Policy Limit	2,000,000
Automobile	
Bodily Injury/each accident	1,000,000
Uninsured/Underinsured	1,000,000

B. Worker's Compensation

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

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to School Employees Retirement System, 300 East Broad Street, Suite 100 Columbus, Ohio 43215-3476 or by calling (800) 878-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate, currently 14%. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal year ending June 30, 2007 was \$9,970. The School has contributed one-hundred percent for fiscal year 2007.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a stand alone financial report that may be obtained by writing to State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on members contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 or the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are only entitled to their account balance. If a member dies before retirement benefits begin, the members designated beneficiary is entitled to receive the member's account balance.

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 10 percent of their annual covered salaries. The School 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 recommendation 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 School's required contribution for pension obligations to STRS Ohio for the year ending June 30, 2007 was \$53,116. The School has contributed 91.08% for fiscal year 2007, with the unpaid portion recorded as a liability at June 30.

7. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (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 partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate. The board currently allocates employer contributions equal to 1.0% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School, this amount equaled \$1,822 during fiscal year 2007. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and eligible benefit recipients totaled 115,395.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. The Board currently allocates employer contributions equal to 3.42% of covered payroll to fund health care benefits. For the School, this amount equaled \$1,407 during fiscal year 2007. 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 has been established at \$35,800. For the year ended June 30, 2005, the most recent year available, net health care costs paid by SERS were \$178,221,113, and eligible benefit recipients totaled 58,123.

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

8. OPERATING LEASES – LESSEE DISCLOSURE

Copier Lease

The School entered into an operating lease commencing September 20, 2005 for a term of 63 months for a copy machine. The copier is owned by Meritech, Inc. The lease may be renewed continuously for consecutive months after the end of the term.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Copier</u>
2008	6,960
2009	6,960
2010	6,960
2011	<u>3,480</u>
Total	<u>\$24,360</u>

Building Lease

The School entered into a lease agreement with the Roman Catholic Diocese of Cleveland, St. John Cantius Church, 906 College Avenue SW, Cleveland, Ohio (the Church) for use of a certain portion of the St. Cantius school building, including use of classrooms, use of a gymnasium, certain equipment and furnishings, and kitchen area. The lease commenced on July 1, 2006 for a period of one year. The School has the option to renew this lease for one additional year. The School paid the Church \$60,000 during fiscal year 2007.

Vehicle Lease

The School has entered into operating lease agreements with TESCO Transportation LLC, for the use of two school buses. Each lease agreement commenced on September 12, 2005 and will continue for a period of 36 months. Upon inception of the lease, the School paid both the first and final month's payments.

The following is a schedule of the combined future minimum payments required under the operating lease as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Passenger Buses</u>
2008	36,899
2009	<u>3,075</u>
Total	<u>\$ 39,974</u>

**Weems School
Cuyahoga County**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007
(Continued)**

9. CONTINGENCIES

A. Grants

The School 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall position of the School at June 30, 2007.

B. Financial Distress

On June 30, 2007 the School had a net deficit of (\$91,922) due to expenditures exceeding the amount of operating and non operating revenues received during the year. On June 18, 2009, the School was closed by the Ohio Department of Education due to financial viability & other contractual non-compliance.

**WEEMS SCHOOL
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Education—				
Passed through the Ohio Department of Education:				
Charter School Grant	000775-CHS1-2007	84.282	\$ 300,000	\$ 300,722
Title I Grants to Local Educational Agencies	000775-C1S1-2007	84.010	265,396	265,396
Title II Improving Teacher Quality	000775-TRS1-2007	84.367	9,699	9,699
Title IV Safe & Drug Free Schools	000775-DRS1-2007	84.186	2,549	2,549
Title V LEA Allocation	000775-C2S1-2007	84.298	478	478
Title IID Technology Education	000775-TJS1-2007	84.318	3,782	3,782
IDEA Part B	000775-6BSF-2007	84.027	20,375	20,375
Total U.S. Department of Education			<u>602,279</u>	<u>603,001</u>
Clusters—				
Child Nutrition Cluster				
U.S. Department of Agriculture—				
Passed through the Ohio Department of Education:				
National School Lunch Program		10.555	23,010	23,010
National School Breakfast Program		10.553	<u>12,551</u>	<u>12,551</u>
Project Number 071950 (2006-2007)				
Total U.S. Department of Agriculture			<u>35,561</u>	<u>35,561</u>
TOTAL			<u>\$ 637,840</u>	<u>\$ 638,562</u>

See Notes to the Federal Award Receipts and Expenditures Schedule.

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WEEMS SCHOOL

CUYAHOGA COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

CFDA – Catalog of Federal Domestic Assistance

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Dave Yost • Auditor of State

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

Educational Resource Consultants of Ohio
Attn: J. Leonard Harding, Executive Director
Spectrum Office Tower
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To Weems School and the Sponsor:

We were engaged to audit the basic financial statements of Weems School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2007 and have issued our report dated June 30, 2011 in which we disclaimed an opinion upon the financial statements because the School failed to provide supporting documentation for the various purchased services, materials and supplies, depreciation and miscellaneous expenditures, salaries, wages and fringe benefits, capital assets, liabilities, and student foundation revenue. The School failed to provide a general ledger, trial balances, or other supporting documentation to support the amounts presented in the financial statements nor did not maintain documentation to support the Notes to the Financial Statements. Management has not provided the Auditor of State written representations, nor were we able to obtain sufficient evidence regarding the completeness of unasserted claims. We also noted the school closed on June 18, 2009.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the School's internal control over financial reporting as a basis for designing our procedures for 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 would 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 and questioned costs 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 2007-001 through 2007-003 and 2007-015 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 engagement 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 item 2007-004 through 2007-014 and 2007-016 through 2007-022.

The School's response to the findings we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Trustees, and Educational Resource Consultants of Ohio, Inc. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

June 30, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Educational Resource Consultants of Ohio
Attn: J. Leonard Harding, Executive Director
Spectrum Office Tower
11260 Chester Road, Suite 230
Cincinnati, Ohio 45246

To Weems School and the Sponsor:

Compliance

We were engaged to audit the compliance of Weems School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Weems School major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We were unable to conduct our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our engagement does not provide a legal determination on the School's compliance with those requirements.

As described in Findings 2007-023 and 2007-024 in the accompanying schedule of findings and questioned costs, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement*, to determine the completeness and existence of financial records and supporting documentation.

Since the School did not provide the evidence described in the above paragraph, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on whether the School had complied with the requirements in regard to its federal programs for which it had received funding.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our engagement, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-023 through 2007-024 to be material weaknesses.

The School's response to the findings we identified is described in the accompanying schedule of findings and questioned costs. We did not audit the School's responses and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Trustees, Educational Resource Consultants of Ohio, Inc., others within the entity federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

June 30, 2011

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Disclaimer over the Charter School and Title I Grants
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Charter School Grant – CFDA #84.282; Title I Grant – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Finding for Recovery – Material Weakness – Checks Made Payable to Cash

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a 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.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-001 (Continued)

Finding for Recovery – Material Weakness – Checks Made Payable to Cash (Continued)

During the audit period, the School issued checks made payable to “cash” in the amount of \$6,000. The School did not provide supporting documentation, such as vendor invoices, for these checks. Therefore, we were unable to determine if the expenditure was for a proper public purpose. Ruby R. Weems authorized and endorsed these checks. Rory Weems was the School’s Treasurer until January 17, 2007. These checks are listed below:

1. On July 8, 2006, a starter check (no check number listed) in the amount of \$32,000 was issued and authorized by Ruby R. Weems, Superintendent and of that amount, \$5,000 was unsupported and we could not determine the purpose of the expenditure.
2. On January 12, 2007, a starter check (no check number listed) in the amount of \$26,000 was issued payable to Cash and authorized by Ruby R. Weems, Superintendent and of that amount, \$1,000 was unsupported and we could not determine the purpose of the expenditure.

We could not verify the impact of these expenditures on the financial statements due to the lack of supporting documentation. We could not verify the purchased services, materials and supplies, and miscellaneous expenditures to the underlying financial records which caused us to disclaim our opinion.

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

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals, authorized check signatory, jointly and severally, in favor of the Ohio Department of Education:

Name	Amount
Ruby R. Weems, Superintendent/Treasurer	\$6,000
Rory Weems, Treasurer	\$6,000

FINDING NUMBER 2007-002

Finding for Recovery – Material Weakness – Debit Transactions All Types

Ohio Rev. Code Section 3314.03(A)(11)(d) requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a 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.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-002 (Continued)

Finding for Recovery – Material Weakness – Debit Transactions All Types (Continued)

During the audit period, the School issued bank debit charges/transactions in the amount of \$76,397. The School did not provide supporting documentation, such as debit card receipts, vendor invoices, or contracts/leases for these payments. Based on this lack of supporting documentation for these debit card transactions, we were unable to determine if these expenditures were for a proper public purpose.

Transaction Classification	Amount
Automobile	\$1,723
Gasoline/other	12,648
UPS/FEDEX	966
PayPal	150
AMT and Debit Withdrawals	203
Entertainment	566
Food	3,994
Hotel/Travel	1,548
Misc. Expenditures	662
Plumbing/HVAC	1,047
Retail Purchases	38,717
Computer/Internet Charges	1,381
Phones	8,492
Course Paid Online	4,300
Total Debit Transactions Classification	\$76,397

We could not verify the impact of these expenditures on the financial statements due to the lack of supporting documentation. We could not verify the purchased services, materials and supplies, and miscellaneous expenditures to the underlying financial records which caused us to disclaim our opinion.

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

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals, jointly and severally, in favor of the Ohio Department of Education:

Name	Amount
Ruby R. Weems, Superintendent/Treasurer	\$68,449
Rory Weems, Treasurer	\$57,009

Additionally, Tom Schaeffer, Treasurer, is liable in the amount of \$7,948 in favor of the Ohio Department of Education.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-003

Finding for Recovery – Material Weakness – No Evidence of Loan Received To Support Loan Reimbursements

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

During the fiscal year 2007, Gilbert Weems was paid \$25,000 for a loan reimbursement per an approved line of credit agreement for \$75,000 between Gilbert Weems and the Board of Trustees of Weems Charter School. There was no evidence per the bank statements or supporting documentation on file, however, that the School used or received the \$75,000 – or any amount from Mr. Weems. As such, it is impossible to determine that the School received the funds and were, therefore, obligated to repay.

We could not verify the impact of these expenditures on the financial statements due to the lack of supporting documentation. We could not verify the purchased services, materials and supplies, and miscellaneous expenditures to the underlying financial records which caused us to disclaim our opinion.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Gilbert Weems in the amount of \$25,000 in favor of the Ohio Department of Education.

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

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the following individuals, jointly and severally, in favor of the Ohio Department of Education:

Name	Amount
Ruby R. Weems, Superintendent/Treasurer	\$25,000
Tom Schaeffer, Treasurer	\$20,000

FINDING NUMBER 2007-004

Noncompliance - Undocumented Enrollment for State Foundation Funding

Ohio Revised Code, Section 3314.03(A)(11)(a) states that the contract between a sponsor and the governing authority must specify that the school will provide learning opportunities to a minimum of twenty five students for a minimum of nine hundred twenty hours per school year.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-004 (Continued)

Noncompliance - Undocumented Enrollment for State Foundation Funding (Continued)

Enrollment numbers are submitted through the Education Management Information System (EMIS) to the Ohio Department of Education (ODE) and are used to determine the amount of State Foundation money each school receives. Ohio's State Funding Formula is a foundation program with an assumed local share of charge-off being subtracted from the basic program costs to determine the state formula aid. The basic program cost is the current year formula amount times the current year formula average daily membership plus the sum of four base funding supplements, called "building blocks." These building blocks are funding for intervention, professional development, data based decision making and professional development for data based decision making. The per pupil formula amount is set by the legislature.

During the audit period of July 1, 2006 through June 30, 2007 there were no:

- Student files to show how many students attended the school and the duration of attendance;
- Records documenting how many hours the school was in session or what type of instruction was offered;
- Attendance sheets;
- Documentation over enrollment/withdrawal dates of its students; and
- Official student rosters.

The assurance of 920 hours of instruction to each student could not be determined and support was not provided for the student attendance figures reported to Ohio Department of Education (ODE).

As a result, State Foundation payments totaling \$759,652 in fiscal year 2007 was unsubstantiated and is not in accordance with Ohio Revised Code, Section 3314.03(A)(11)(a).

FINDING NUMBER 2007-005

Noncompliance - Liability Insurance

Ohio Revised Code Section 3314.03(11)(b) states that each contract entered into between the sponsor and the governing authority of a community school must specify that the governing authority will purchase liability insurance, or otherwise provide for the potential liability of the school. There was no evidence provided showing the purchase of liability insurance for the audit period.

FINDING NUMBER 2007-006

Noncompliance - Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days for entities reporting on a GAAP basis. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-006 (Continued)

Noncompliance - Financial Report Filing (Continued)

- Amount of collections and receipts, and accounts due from each source; and,
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and
- Notes to the financial statements as prescribed by GAAP.

The School filed its financial statements for the year ended June 30, 2007 on August 18, 2008. The School failed to prepare complete and accurate financial statements. The financial statements did not agree with the trial balance amounts and the trial balance amounts could not be traced to client ledgers, books or records.

FINDING NUMBER 2007-007

Noncompliance - Record of Minutes/Holding Public Meetings

Ohio Rev. Code § 121.22(C) provides that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Rev. Code § 121.22(F) provides that every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of any emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media that have requested immediate notification.

Ohio Rev. Code Section 121.22 (C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection.

It is the responsibility of the governing board to oversee the School's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the School's events and resolutions passed by the Board.

The Board should stay apprised of financial matters throughout the fiscal year. During the audit, we noted the following items:

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-007 (Continued)

Noncompliance - Record of Minutes/Holding Public Meetings (Continued)

- Not all employee salaries and approval to hire employees were noted in the Board minutes. Therefore, there was no evidence that these salaries were being approved by the Board of Trustees; and
- The School provided evidence of nine board meetings during the fiscal year, on August 15, 2006, the Board entered into a closed session during the regular meeting without providing a reason for the closed session or a summary of the discussions in the closed session.
- The School's governing body held nine meetings in 2007 (8 meetings were noted as open and one meeting as noted as closed meeting) to discuss issues such as the approval of expenditures, approving contracts, budgets, funding and the fundraising. These meeting should have been open to the public. However, the School did not provide evidence that the public was notified of the meeting time, place or purpose.

FINDING NUMBER 2007-008

Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters

Ohio Revised Code Section 149.43 (B)(2) requires that entities shall have available a copy of its current records retention schedule at a location readily available to the public.

In addition, all public offices are required to create a poster describing its public records policy. The public office is required to display the poster in a conspicuous place in the public office and in all locations where the public office has branch offices, per Ohio Revised Code Section 149.43 (E)(2).

The School did not comply with the requirements above.

FINDING NUMBER 2007-009

Noncompliance - Fiscal Officer Designation Bonding Requirement

Ohio Revised Code Section 3314.011 requires that the School designate an individual as the fiscal officer. The Ohio Administrative Code (OAC) Section 117-6-07 requires that the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. Subsection (B)(1) provides that the bond amount and surety is to be established by resolution of the governing authority. Subsection (B)(3) states that bonding is conditioned on the faithful performance of the employee's official duties. If an error or theft occurs without a performance bond, the School may not be able to recover any funds that are lost. In addition, Ohio Revised Code Section 3314.011 provides that prior to assuming the duties of fiscal officer, the officer designee shall be licensed as prescribed by section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under this section shall complete and additional twenty-four hours of continuing education within one year after assuming the duties of fiscal officer of the school.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-009 (Continued)

Noncompliance - Fiscal Officer Designation Bonding Requirement (Continued)

The School did not provide any bonds for Ruby Weems, Superintendent/Treasurer/Developer, or Tom Schaeffer, Treasurer. For 2007, we obtained a Commercial Bond for Rory Weems, Treasurer, but Rory Weems ceased being Treasurer/Developer as of January 17, 2007. Also, there was no Treasurer license presented or evidenced that Ruby Weems, Superintendent/Treasurer/Developer or Rory Weems, Treasurer/Developer or Tom Schaeffer, Treasurer, completed the sixteen hours of continuing education classes as required per this ORC section.

FINDING NUMBER 2007-010

Noncompliance - Federal Withholding

26 U.S.C. Section 3402 requires an employer to deduct and withhold federal income tax from the wages of any School employees. Circular E of the Internal Revenue Service Publication 15 requires that a Form W-4 (exemptions) for federal income tax deductions be filed for each employee. If a Form W-4 is not filed by the employee, deductions are to be made as single with no dependents. Further, this publication provides that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees. Such withholdings are to be remitted to the Internal Revenue Service. 26 U.S.C. Section 3102(a) requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

Due to lack of personnel records the following could not be determined:

- Form W-4 (exemptions) were filed;
- The tax amounts were withheld from all personnel; and
- Withholdings were properly remitted to the Internal Revenue Service.

This matter will be referred to the Internal Revenue Service.

FINDING NUMBER 2007-011

Noncompliance - Income Tax Withholding

Ohio Revised Code Section 5747.07 states in part, that every employer required to deduct and withhold any amount of taxes in section 5747.06 of the Revised Code shall file a return and shall pay the amount required by law.

We were unable to determine if the proper amount of taxes were remitted to the State Tax Commissioner and the proper local income tax agencies.

This matter will be referred to the Tax Commissioner.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-012

Noncompliance - Education Information Management System (EMIS)

Ohio Revised Code Section 3314.17 requires community schools to follow the requirements of Ohio Revised Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each school district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data; and
- Procedures for annually reporting the data to the general public;

Section B prescribes:

- Guidelines outlining what information should be maintained in the system;

Section C prescribes:

- That education management information shall include cost accounting data for each district as a whole and by building;

Section D prescribes:

- Guidelines which require information about individual students, staff members, or both; and

Section E further prescribes

- Guidelines which describe any and all special reports which may be required.

The School failed to meet the reporting and record keeping requirements as outlined above. The School did not properly file EMIS reports. There was no evidence of EMIS reports provided to the auditors for the audit period.

FINDING NUMBER 2007-013

Noncompliance - Annual Report of Activities

Ohio Revised Code Section 3314.03(A) (11) (g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Revised Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a school's success) and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The School failed to provide any evidence of the required annual reports of its activities and progress in meeting the goals and standards as required by the above Ohio Revised Code Section, as well as, its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight for the audit period.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-014

Noncompliance - Sponsor Contract School Governing Authority Requirements

Sponsor Contract/Agreement Between EROC and Weems School Section II (K) state all Board members (new and veteran) will be required to annually participate in a minimum of five (5) hours of Board training within three (3) months of election or appointment to the Board.

During 2007, there was no evidence provided the Board members of the School annually participated in a minimum of five (5) hours of Board training.

FINDING NUMBER 2007-015

Material Weakness - Internal Control System

Management and Board are charged with the responsibility of developing and maintaining a system of internal controls over purchasing, revenue, reporting, and payroll transactions. The system of internal controls of the School would detect errors and irregularities in a timely manner. The system of internal controls would ensure all financial transactions were properly authorized, reported and supported with documentation. The review of the Schools internal controls systems and transactions documentation noted material internal control weakness.

During our review of the records we noted the following for fiscal year 2007:

- No Revenue or Expenditure ledgers;
- No Payroll Register;
- No canceled checks were provided;
- Lacking or non-existent support documentation for non-payroll expenditures;
- No authorization by the Board for two employees salary and/or wage;
- No coding of any receipts or expenditures;
- Bank reconciliations performed could not be traced to any ledgers;
- There were missing contracts and leases for non-payroll expenditures;
- No documentation or evidence of the Board's review or approval of the financial activity of the School;
- Three bank statements and all of the cancelled checks were missing;
- No student records were maintained;
- Files of cancelled and voided checks were not maintained;
- Supporting documentation for non payroll expenditures was significantly lacking, or non-existent invoice;
- No duplicate cash receipt book was maintained for "over the counter" cash receipts;
- No deposit slips for cash deposits were located;
- No evidence of the development and implementation of purchasing cycle controls;
- No evidence of Capital Assets invoices or listing by location was provided or obtained from the records provided;
- The School does not have a listing of capital assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose;
- A capital asset accounting system, which maintains a complete capital asset listing by location, with tag or other identification numbers and other pertinent information has not been developed;
- Statement of Cash Flow contained several amounts that could not be verified;

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-015 (Continued)

Material Weakness - Internal Control System (Continued)

- For the bank reconciliations provided, there were differences which were not explained or investigated;
- The notes to the financial statements were missing supporting documentation required for the disclosure for Non-Capital (Operating) Leases, Risk Management, and Subsequent Events, Postemployment Benefits and Annual Pension Cost and Obligations Notes;
- No evidence to support the following Balance Sheet items: Bank Overdraft Payable; Accrued Wages and Benefits; Payable to State Pension Systems; and Salaries and Wages;
- Missing employee contracts and personnel files were noted; and
- No coding of State and Federal receipts or expenditures noted.

The above weaknesses and lack of record keeping resulted in the inability to render an opinion on the financial statements and notes presented.

FINDING NUMBER 2007-016

Noncompliance – Improving Teacher Quality Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

Section 9101(34) of the ESEA, 20 USC 6602(34) states Consistent with the Local Education Agency's (LEAs) assessment of need for professional development and hiring, LEAs may use funds for a broad span of activities designed to improve teacher quality that are identified in Section 2123(a) of the ESEA. Examples of allowable activities include: (1) providing "professional development"; (2) developing and implementing a wide variety of strategies and activities to recruit, hire, and retain highly qualified teachers and principals; (3) developing and implementing initiatives to promote retention of highly qualified teachers and principals; (4) carrying out professional development programs to assist principals and superintendents in becoming outstanding managers and educational leaders; and (5) carrying out teacher advancement initiatives that promote professional growth and emphasize multiple career paths and pay differentiation, and establish programs and activities related to exemplary teachers. LEAs also may use funds to hire teachers to reduce class size (Sections 2101 and 2123(a) of the ESEA (20 USC 6601 and 6623(a))).

In fiscal year 2007, the Title II-A Improving Teacher Quality Grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any or maintain invoices or supporting payroll documentation to support any of the Title II-A Improving Teacher Quality Grant expenditures, which totaled \$9,699.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-017

Noncompliance – Safe and Drug-Free Schools Grant Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

Title IV, Part A, Subpart 1 of the Elementary and Secondary Education Act (ESEA) of 1965, as amended states, drug prevention programs must convey a clear and consistent message that the illegal use of alcohol and other drugs is wrong and harmful. This program is subject to maintenance of effort requirements. Safe and Drug Free Schools Act (as amended) and the Pro-Children Act of 1994 states, prohibits smoking in certain facilities in which education, library, day care, health care and early childhood development (including WIC and Head Start) services are provided to children. In accordance with section 1043(d) of the Act, the Secretary of Health and Human Services is publishing the prohibitions which restrict smoking in certain indoor facilities.

In fiscal year 2007, the Drug Free Schools Grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any of the Drug Free Schools Grant expenditures for FY 2007, which totaled \$2,549.

FINDING NUMBER 2007-018

Noncompliance – Innovative Programs Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

In fiscal year 2007, the Title V LEA Allocation Grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any of the V LEA Allocation Grant expenditures for FY 2007, which totaled \$478.

FINDING NUMBER 2007-019

Noncompliance – Technology Grant Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

34 CFR section 299.2 states the written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program; and (c) ensure that funds are not used for general expenses required to carry out other responsibilities of State or local governments.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

Finding Number 2007-019 (Continued)

Noncompliance – Technology Grant Allowable Expenditures (Continued)

Title II-D Education Technology Grant funds were to be sent on the following: 1) Acquiring, expanding, and maintaining existing/new technology to support school reform and technology literacy; 2) Providing high quality professional development to all core subject teachers to integrate advanced technologies into curricula and instruction.

In fiscal year 2007, Title II-D Education Technology Grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any of the Title II-D Education Technology Grant expenditures for FY 2007, which totaled \$3,782.

FINDING NUMBER 2007-020

Noncompliance – Special Education Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

Assurance #7 of ODE Generic Standard Assurance states that the SUBGRANTEE will maintain records, including the records required under Section 437 of the General Education Provisions Act ("GEPA"), 20 U.S.C. Section 1221, and provide access to those records as ODE or the DEPARTMENT and the Comptroller General or any of their authorized representatives in the conduct of audits authorized by Federal Law or State Statute. This cooperation includes access without unreasonable restrictions to its records and personnel for the purpose of obtaining relevant information.

In fiscal year 2007, ESAS IDEA Part B Grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any of the ESAS IDEA Part B Grant expenditures for FY 2007, which totaled \$20,375.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-021

Noncompliance – Federal School Breakfast Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

7 C.F.R. Section 210.7, (b) & (c) states, in part, that the total general and special cash assistance reimbursement paid to any school food authority for lunches served to children during the school year are not to exceed the sum of the products obtained by multiplying the total reported number of lunches, by type, served to eligible children during the school year by the applicable maximum per lunch reimbursements prescribed for the school year for each type of lunch. Additionally, to be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation. To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum:

- (i) Correctly approve each child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245;
- (ii) Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements.

In fiscal year 2007, Federal School Breakfast funds were awarded to the School and did not provide or maintain invoices or supporting documentation to support any of the Federal School Breakfast expenditures for FY 2007, which totaled \$12,551.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

FINDING NUMBER 2007-022

Noncompliance – National School Lunch Allowable Expenditures

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented. Appendix C, Section A.1 also provides that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

7 C.F.R. Section 210.7, (b) & (c) states, in part, that the total general and special cash assistance reimbursement paid to any school food authority for lunches served to children during the school year are not to exceed the sum of the products obtained by multiplying the total reported number of lunches, by type, served to eligible children during the school year by the applicable maximum per lunch reimbursements prescribed for the school year for each type of lunch. Additionally, to be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation. To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum:

- (i) Correctly approve each child's eligibility for free and reduced price lunches and meal supplements based on the requirements prescribed under 7 CFR part 245;
- (ii) Maintain a system to issue benefits and to update the eligibility of children approved for free or reduced price lunches and meal supplements.

In fiscal year 2007, Federal School Breakfast funds were awarded to the School and did not provide or maintain invoices or supporting documentation to support any of the Federal School Breakfast expenditures for FY 2007, which totaled \$23,010.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Title I Allowable Expenditures – Noncompliance/Questioned Costs/Material Weakness

Finding Number	2007-023
CFDA Title and Number	Grants to Local Education Agencies – ESAS Title I 84.010
Federal Award Number / Year	000543-C1S1-2007/2007
Federal Agency	U. S. Department of Education
Pass Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

Title I, Section 1115 of ESEA (20 USC 6314) provides that allowable activities include, but are not limited to, instructional programs, counseling, mentoring, other pupil services, college and career awareness and preparation, services to prepare students for the transition from school to work, services to assist preschool children in the transition to elementary school programs, parental involvement activities, and professional staff development.

In fiscal year 2007, the Title I grant funds were awarded to the School and did not provide or maintain invoices or supporting payroll documentation to support any of the Title I grant expenditures. There were no student files, records or attendance records to evidence the students' service under Title I. There was no evidence provided of the parental involvement activities.

During our engagement to audit the financial records of the School, we were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. There were missing invoices, coding of the expenditures and supporting payroll records and coding. We were not provided with documentation of student files, records or other supporting documentation which would indicate eligibility to participant in the program. We had no capital asset records to identify any equipment which was purchased with the program funds. Based on the inability to perform an audit, we question all of the costs for this program. Total questioned costs are \$265,396.

**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007
(Continued)**

Charter School Grant Allowable Expenditures – Noncompliance/Questioned Costs/Material Weakness

Finding Number	2007-024
CFDA Title and Number	Charter School Grant - 84.282
Federal Award Number / Year	000775-CHS1-2007/2005
Federal Agency	U. S. Department of Education
Pass Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section A.2 states that governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award. Appendix A, Section C.1.j provides that for a cost to be allowable, the expenditure must be adequately documented.

The purpose of the Public Charter School Program (PCSP) is to increase national understanding of the charter school model and to expand the number of high-quality charter schools available to students across the Nation by providing financial assistance for the planning, program design, and initial implementation of charter schools and evaluating the effects of charter schools, including the effects on students, student academic achievement, staff, and parents.

The grant application notes the percentage of students in the aggregate and for each subgroup (students from major race/ethnic groups, economically disadvantaged students, children with disabilities, students with limited English proficiency), who are at or above the proficient level in reading/language arts on the State's assessment (ESEA Section 1111(h)(1)(C)(i)).

In fiscal year 2007, the Charter School Grant funds were awarded to the School. The School, however, failed to provide or maintain invoices or supporting payroll documentation to support any of the Charter School Grant expenditures for FY 2007. There were no student files, records or attendance records to evidence the students' service under the Charter School Grant.

We were unable to determine if the School complied with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*. The School did not provide documentation to enable a review of the compliance with the circular. There were missing invoices, coding of the expenditures and supporting payroll records. We were not provided with documentation of student files, records, attendance records, evidence of student performance or other supporting documentation which would indicate eligibility to participant in the program. We did not have the grant agreement to determine if specified services or expenditure levels were maintained. We question all of the costs for this program. Total questioned costs are \$300,722.

Officials Response

Various School officials met with or provided the Auditor of State's Office with the records we were able to obtain.

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**WEEMS SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
2006-001	Finding for Recovery	No	Documentation not presented
2006-002	Finding for Recovery	No	Documentation not presented
2006-003	Finding for Recovery	No	Documentation not presented
2006-004	Finding for Recovery	No	Documentation not presented
2006-005	Books, Records of Accounts, and Minutes	No	Reissued as 2007-007
2006-006	Conflict of Interest	No	Reissued as 2007-015
2006-007	Non-Payroll Cash Disbursements	No	Reissued as 2007-002
2006-008	Condition of Accounting Records	No	Reissued as 2007-015
2006-009	Developing and Implementing an Effective Monitoring Control System	No	Reissued as 2007-015
2006-010	Developing and Implementation of Purchasing Cycle Controls	No	Reissued as 2007-015
2006-011	Developing and Implementation of Payroll Processing Procedures	No	Reissued as 2007-015



Dave Yost • Auditor of State

WEEMS SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2011**