MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2010

Dave Yost • Auditor of State

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Marcus Garvey Academy
Cuyahoga County
540 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the accompanying basic financial statements of the business type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraphs three through six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Academy did not maintain sufficient documentation to support adjustments made to Net Assets Beginning of Year.

The Academy did not maintain sufficient documentation to support adjustments made to Salaries and Fringe Benefits expenditures.

They also did not maintain documentation to support the disclosures related to the items listed in paragraphs three and four above.

The amounts reported on the Statement of Cash Flows were unsupported.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have required for the Net Assets Beginning of Year, Salaries and Fringe Benefits expenditures, and unsupported amounts on the Statement of Cash Flows described above, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Garvey Academy, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the basic financial statements, the Statement of Net Assets shows the Academy has a net deficit of $279,384. In addition, as discussed in Note 16, the Academy had its funding suspended in April, 2011 by the Ohio Department of Education due to their inability to provide financial records. In addition, in October of 2011, the Ohio Department of Education notified Ashe Cultural Center, the Academy's sponsor, that they are no longer permitted to sponsor community schools in Ohio and notified Marcus Garvey Academy that they would have to close by June 30, 2012. The Ohio Department of Education took over sponsorship of the Academy while it seeks another sponsor. Under the Ohio Revised Code, a community school may not operate without a sponsor. These conditions raise substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. We did not audit the information and express no opinion on it.

Dave Yost

Dave Yost
Auditor of State

December 14, 2011

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Our discussion and analysis of the Marcus Garvey Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy'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 Academy'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 Academy for the 2010 -2009 school year are as follows:

- Total assets decreased by $370,091, or 74.8% from 2009.
- Total liabilities decreased by $90,106, or 18% from 2009.
- Total net assets decreased by $278,683, or 397.6% from 2009.
- Total operating revenues were $1,296,110. Total operating expenses were $2,030,430.

USING THIS ANNUAL REPORT

This report consists of three parts: the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how the Academy did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Academy's' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2010. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource 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 the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2010 and 2009.

Table 1
Statement of Net Assets

	2010	Restated 2009
Assets		
Current Assets	$ 24,830	$ 124,690
Capital Assets, Net of Accumulated Depreciation	99,994	370,325
Total Assets	124,824	495,015
Liabilities		
Current Liabilities	404,208	494,314
Total Liabilities	404,208	494,314,
Net Assets		
Investment in Capital Assets, Net of Related Debt	99,994	370,325
Restricted for Rent	10,706	10,706
Unrestricted	(390,084)	(380,330)
Total Net Assets	$ (279,384)	$ (701)

Net assets decreased by $278,683, or 397.6% from 2009. Capital Assets, net of depreciation, decrease primary due to the adjustment of the restated balance of $370,325. Liabilities decreased due to the significant decrease in payable from the prior year. Accrued wages and benefits have remained consistent with the prior year.

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2010 and 2009, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Table 2
Change in Net Assets

	2010	Restated 2009
Operating Revenue		
State Foundation (Aid)	$1,254,811	$ 1,122,032
Other	41,299	15,703
Total Operating Revenues	1,296,110	1,137,735
Operating Expenses		
Salaries	1,013,972	605,257
Fringe Benefits	207,907	86,940
Purchased Services	580,165	509,886
Materials and Supplies	196,823	34,478
Capital Outlays		
Depreciation	20,881	12,528
Other Operating Expense	10,682	51,664
Total Operating Expenses	2,030,430	1,300,753
Operating Income (Loss)	(734,320)	(163,018)
Non-Operating Revenues and (Expenses)		
Grants – State	500,106	264,903
Total Non-Operating Revenues and (Expenses)	500,106	264,903
Increase (Decrease) in Net Assets	$ (234,214)	$ 101,885

Operating revenues increased $158,375, which represents a 13.9% from 2009, due to the increase in state foundation (aid) for the increase in student enrollment. Operating expenses increased by $729,677, which represents a 56.1% increase from 2009 that is attributable to the increase in salaries, purchased services and related payroll cost. Much of these cost were incurred as part of the dramatic increase in federal and state assistance.

BUDGETING HIGHLIGHTS

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor.

The contract between the Academy and its Sponsor does prescribe a budgetary process. The Academy must prepare and submit a detailed budget for every fiscal year to the Board of Trustees and its Sponsor. The five-year forecast is also submitted the Ohio Department of Education, annually.

CAPITAL ASSETS

The Academy has $99,994 invested in capital assets, net of accumulated depreciation. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

DEBT OBLIGATIONS

The Academy does not have any long-term debt, but does maintain loans payable, a line of credit payable and a credit card, reflected as a short-term loan on the Statement of Net Assets, to provide short-term cash for emergencies. See the notes to the basic financial statements for further details.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Academy's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact Mr. Edward E. Dudley, Sr. CPA, MBA, of LED Consulting, 676 Brook Hollow, Gahanna, Ohio 43230 or e-mail at ed@eddudleycpa.com.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

Statement of Net Assets
At June 30, 2010

Assets		
Current Assets:		
Cash and Cash Equivalents	$	11,345
Rental Deposit		10,706
Intergovernmental Receivable		2,779
Total Current Assets		24,830
Noncurrent Assets:		
Capital Assets:		
Depreciable Capital Assets, net		99,994
Total Noncurrent Assets		99,994
Total Assets		124,824
Liabilities		
Current Liabilities:		
Accounts Payable		107,324
Accrued Wages & Benefits Payable		154,778
Credit Card Payable		40,949
Loans Payable		1,760
Line of Credit		99,397
Total Current Liabilities		404,208
Total Liabilities		404,208
Net Assets		
Investment in Capital Assets		99,994
Restricted for Rent		10,706
Unrestricted		(390,084)
Total Net Assets	$	(279,384)

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

Statement of Revenues,
Expenses and Changes in Fund Net Assets
For the Year Ending June 30, 2010

Operating Revenues:	
State Foundation (Aid)	$ 1,254,811
Other	41,299
Total Operating Revenues	1,296,110
Operating Expenses:	
Salaries	1,013,972
Fringe Benefits	207,907
Purchased Services	580,165
Materials and Supplies	196,823
Depr	20,881
Other	10,682
Total Operating Expenses	2,030,430
Operating Loss	(734,320)
Non-Operating Revenues (Expenses):	
Federal Grants	500,106
Total Non-Operating Revenues (Expenses)	500,106
Change in Net Assets	(234,214)
Net Assets Beginning of Year (Restatement)	701
Net Assets End of Year	$ (233,513)

See accompanying notes to the basic financial statements.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$1,233,307
Cash Received from Other Operating Sources	50,840
Cash Payments to Suppliers for Goods and Services	(767,070)
Cash Payments to Employees for Services	(890,862)
Cash Payments for Employee Benefits	(198,336)
Other Cash Payments	(10,682)
Net Cash Used for Operating Activities	(582,803)
Cash Flows from Noncapital Financing Activities	
Cash Received from Operating Grants	500,106
Net Cash Provided by Noncapital Financing Activities	500,106
Net Decrease in Cash and Cash Equivalents	(82,697)
Cash and Cash Equivalents Beginning of Year	74,305
Cash and Cash Equivalents End of Year	(8,392)
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	(224,266)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	20,861
Changes in Assets and Liabilities:	
Increase Accounts Payable	55,853
Increase Accrued Wages and Benefits	120,798
Decrease Credit Line/Intergovernmental Payable/Other	(5,772)
Net Cash Provided by (Used in) Operating Activities	($144,232)

See accompanying notes to the basic financial statements

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ENTITY

Marcus Garvey Academy (the Academy) is a non-profit corporation established July 1, 2002 pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students from low income families in grades kindergarden through eighth. The Academy which is part of the State's Education program, is independent of any school district, and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy qualified as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code effective December 2006. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy, 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 Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy was approved for operation under a contract with Ohio State Board of Education and commenced operation at the beginning of the 2002-03 school year.

The Academy was approved for operation under the contract with Ashe Culture Center, Inc. (the Sponsor) for a period of five years commencing July 1, 2005. The contract was renewed through June 30, 2011. 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 Academy operates under the direction of a four-member Board of Directors. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Fund Net Asset, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes net assets, financial position and cash flows. Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the coast (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and all liabilities are included on the balance sheet. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are 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 budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the Academy's sponsorship agreement. The contract between the Academy and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

All monies received by the Academy are maintained in a demand deposit account. For internal accounting purposes, the Academy segregates its cash. The Academy has no investments.

E. 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 theses estimates.

F. Capital Assets

Fixed assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Capital assets were $99,994, as of June 30, 2010, net of accumulated depreciation. Deprecation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

Asset	Useful Life
Computers, Books and Equipment	5 - 10 years
Furniture	15 years

The Academy has an asset capitalization threshold of $500. (See Note 4)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

The Academy 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 have been met.

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

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

The Academy also participates in various federal and state programs through the Ohio Department of Education.

Under the above programs the Academy received $1,754,917 this fiscal year.

H. Compensated Absences

Vacation is taken in a manner in which corresponds with the school calendar; therefore Academy does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of eight days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements which consist of accounts payable of $107,324, Loans Payable of $1,760, Accrued Wages and Benefits of $154,778, a credit card balance of $40,949 and a Short Term Credit Line of $99,397 at June 30, 2010.

J. Intergovernmental Receivables

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2010, of which all grants had been satisfied, consisted of the School Nutrition Program and Title Funding Grants which totaled $2,779.

K. Prepaid Deposit Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net assets, using the allocation method, which amortized their cost over the periods benefiting from the advance payment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Exchange and Non-Exchange Transactions

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

M. Net Assets and Restatement

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or law and regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Net Assets as of June 30, 2009 were restated to include capital assets owned that were not previously recorded as well as an adjustment relating to capital assets as follows:

Net Assets at June 30, 2009	$	(357,414)
Restated Capital Assets Addition		104,165
Adjustment relating to Capital Assets		253,950
Restated Net Assets at June 30, 2009	$	701

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the Academy. For the Academy, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Revenue and expenses not meeting this definition are reported as non-operating.

3. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit, and Investment Risk Disclosures”.

The Academy maintains its cash balances at one financial institution located in Ohio. At June 30, 2010, the book amount of the Academy’s deposits was $11,345 and the bank balance was $13,117.

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2010, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to $250,000. Deposits in excess of $250,000 are secured by pooled collateral. The Academy had no investments.

4. CAPITAL ASSETS AND DEPRECIATION

For the period ending June 30, 2010, the Academy’s capital assets consisted of the following:

	Restated Balance 06/30/09	Additions	Deletions	Balance 06/30/10
Capital Assets Being Depreciated:				
Computers and Equipment	$271,831	$4,500	0	$276,331
Furniture	32,771			32,771
Total Capital Assets Being Depreciated	$304,602	4,500	0	309,102
Less Accumulated Depreciation:				
Computer and Equipment	(185,217)	(18,825)	0	(204,042)
Furniture	(3,010)	(2,056)		(5,066)
Total Accumulated Depreciation	(188,227)	(20,881)	0	(209,108)
Net Total Capital Assets	$116,375	($16,381)	0	$99,994

See Note 2 for additional detail on the restated balance.

5. RISK MANAGEMENT

A. Property & Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2010, the Academy contracted with Pinkney-Perry Inc. Agency Inc. for all of its insurance.

General liability coverage has a $1,000,000 single occurrence limit and $4,000,000 aggregate. Hired and non-owned vehicles are covered at $1,000,000 combined single limit of liability.

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The Academy provides medical, insurance benefits through Kaiser-Permanente and dental benefits through Humana, Inc. to all full time employees. The Academy pays 50% of the monthly premium for medical insurance and no payment for dental coverage.

6. DEFINED BENEFIT PENSIONS PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, standalone financial report that includes financial statements and required supplementary information. The report can be obtained by contacting SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free 1-800-878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy - 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. The current school rate is 14 percent of annual covered payroll. 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 2010, 12.78 percent of annual covered salary is the portion used to fund pension obligations. The remaining 1.22 percent of the 14 percent employer rate is allocated to the Health Care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010 2009, 2008 were $63,468, $24,552, and $47,448 respectively, of which 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

B. State Teachers Retirement System

Plan Description – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB plan and the DC 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. State Teachers Retirement System – (Continued)

Funding Policy – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Sponsor was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations with the remainder being used to fund health care benefits. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were $42,367, $55,714 and $31,044, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages. As of June 30, 2010, no employees or Board members of the School contributed to Social Security.

7. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple employer defined pension plan, the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2010 was $96.40; SERS' reimbursement for retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal year 2010, the actuarial required allocation is .76 percent. The Schools contributions for the years ended June 30, 2010 and 2009 were $199 and $1,315 respectively. 100 percent has been contributed for fiscal years 2010 and 2009.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including

7. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year ending June 30, 2010, the minimum compensation level was established at $35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2010, 2009, and 2008 were $6,078, $3,507 and $6,778, respectively, of which 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Resources.

B. School Teachers Retirement System

Plan Description – The School contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by STRS Ohio for eligible, certificated retirees and their beneficiaries who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State statute. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling (888) 227- 7877.

7. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Plan and gives the STRS Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were $3,259, $4,286, and $2,338, respectively. 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

8. DEBT – PNC BANK – LINE-OF-CREDIT

During the fiscal year ending 2003, the Academy entered into a short-term debt agreement with the National City Bank, now known as PNC Bank, for a line of credit. The following is a summary:

Line of Credit	Balance at June 30, 2010
6.25% annually	$99,397

The line of credit is uncollateralized. This line-of-credit is presented in the statement of net assets as a short-term liability. The Academy has made no principal payments on the line, but has paid incurred interest.

9. CONTINGENCIES

A. Grants

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

B. Litigation

There are currently no matters in litigation with the Academy as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has not been performed for the fiscal year 2010, as of June 30, 2010.

10. SPONSORSHIP- ASHE CULTURE CENTER, INC.

The Academy contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by Academy from the State of Ohio, as foundation. For the fiscal year ended June 30, 2010 the total sponsorship fees totaled $26,915.

11. L. E. D. CONSULTING, INC. – TREASURY SERVICES

The Academy entered into a contract with L.E.D. Consulting, Inc. effective February 15, 2008 to provide treasury services, as defined by the contract. Contract provision binds the Academy to pay $3,000 per month for the duration of the agreement until terminated by mutual agreement of the parties. The Academy paid $28,000 for these services for the fiscal year ending June 30, 2010. The Academy has recorded Accounts Payable for $3,000 for services received under the agreement not paid as of June 30, 2010.

12. SHOREBANK ENTERPRISE GROUP - LEASE

The Academy executed a lease agreement, for general classroom space from ShoreBank Enterprise Group on July 1, 2009. The initial term of the lease was for twelve months, beginning on July 1, 2009, followed by two, five year renewal options. The Academy was to pay $10,705 for rent for the first twelve months of the lease agreement. The Academy occupied the space for the entire term of the lease for the purpose of an educational facility. The Academy remitted payments totaling $118,480 to the Lessor for the period ending June 30, 2010. The Academy renewed the contract for fiscal year 2010.

13. PURCHASED SERVICES

For the period of July 1, 2009 through June 30, 2010, the Academy made the following purchased service commitments.

	2010
Professional and Technical Services	$206,322
Property Services	118,479
Utilities	7,854
Communications	12,128
Contractual Trade Services	41,347
Pupil Transportation	194,035
	$580,165

14. RELATED PARTY TRANSACTIONS

Alexandria Boone, Founder and Developer of the Academy, owns Aries Transportation Company. During the fiscal year, the Academy made payments totaling $4,500 to Aries Transportation Company for rental of vans, maintenance and drivers.

15. SUBSEQUENT EVENT

As of June 30, 2010, the Academy had a deficit of $279,384. In April 2011, the Academy had its funding suspended by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy’s sponsor, has renewed its sponsorship of the Academy and the current agreement would have expired on June 30, 2012, however the Ohio Department of Education took away Ashe Culture Center's authority to sponsor charter schools in September of 2011. Pursuant to the Ohio Revised Code, the Academy may not operate without a sponsor. The Ohio Department of Education took over sponsorship of the Academy while it seeks another sponsor. On August 25, 2011 the Ohio Department of Education Office of Community Schools issued a statement that the Academy would be closed effective June 30, 2012 due to academic viability in 2010 and 2011.

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

Marcus Garvey Academy
Cuyahoga County
405 East 105th Street
Cleveland, Ohio 44108

To the Board of Directors:

We have audited the financial statements of the business-type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 14, 2011, wherein we noted there was insufficient evidence to support adjustments made to Net Assets Beginning of Year, Salaries and Fringe Benefits expenditures, the related note disclosures, and the Statement of Cash Flows. We also reported the Academy had its funding suspended by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has renewed its sponsorship of the Academy and the current agreement would have expired on June 30, 2012, however the Ohio Department of Education took away Ashe Culture Center's authority to sponsor charter schools in September of 2011**.** The Ohio Department of Education took over sponsorship of the Academy while it seeks another sponsor. On August 25, 2011, the Ohio Department of Education Office of Community Schools issued a statement that the Academy would be closed effective June 30, 2012 due to academic viability in 2010 and 2011. Therefore, our report expressed substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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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 2010-001 through 2010-004 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-006 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2010-001, 2010-003, 2010-005 and 2010-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated December 14, 2011.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the Board of Directors, the Community School's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

December 14, 2011

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

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

FINDING NUMBER 2010-001

Condition of Accounting Records – Material Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted the following:

- Checking account reconciliations contained outstanding checks from June 2009 and voided checks that are listed as uncleared reconciling items;
- One check outstanding on June 30, 2010, did not appear on the reconciliation;
- Checks were not prepared in numerical order;
- The Accounts Payable detail listing included checks that cleared the bank during the audit period and were not subsequently payable;
- Invoices totaling $23,600 from one vendor were improperly excluded from the Accounts Payable balance;
- The Academy was unable to provide a complete listing of 1099 forms for the period under audit;
- Several versions of the June 30, 2010 financial report were provided for audit;
- The amounts reported in the statements provided for audit did not agree to underlying financial records and were incomplete;
- Financial statement records at the beginning of the year did not match the prior year amounts;
- The Statement of Net Assets included an unsupported beginning balance adjustment;
- Employee retirement plan withholdings were recorded as employer contributions in the financial statements;
- The Academy did not maintain tax withholding documentation for five employees in their employee master file;
- The Academy did not maintain retirement system documentation for eight employees in their employee master file;
- The Academy did not provide a consolidated trial balance; and
- The Statement of Cash Flows was not presented consistently nor did it agree to the underlying financial statement data.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of misstatement, as evidenced in the financial reporting problems described in Finding 2010-02, or fraud.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2010-001
(Continued)

Condition of Accounting Records – Material Noncompliance and Material Weakness (Continued)

The Academy's management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

We recommend the Academy implement and maintain controls over accounting records and transactions.

Official's Response:

This finding is primarily related to practices of the Academy's Fiscal Officer that was in place at this time. As of November 1, 2011 the School has engaged a new Fiscal Officer who has extensive experience with charter schools and will be charged with ensuring that the Academy's records meet all aspects of sound internal control and bookkeeping practices.

FINDING NUMBER 2010-002

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Treasurer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Academy provided multiple financial reports such as the general ledgers, payable listings and bank reconciliations that were incorrect and did not accurately reflect the Academy's financial transactions during fiscal year 2010. This resulted in the following adjustments being made to the financial statements, notes and, where applicable, to the Academy's accounting records:

- In the fiscal year end reconciliation the Academy included checks that had already been voided completely or cleared the bank statement. These misstatements led to cash being understated. An adjustment to cash for $19,737 was recorded;
- The Academy improperly included checks that had already cleared the bank statement on its Accounts payable listing which resulted in an adjustment to reduce accounts payable by $29,132;
- The Academy improperly recorded state and federal grant revenue as operating foundation revenue. Adjustments totaling $21,424 were required to reclassify the revenues;
- The amounts owed for the Line of Credit were confirmed and were overstated by $23,077;
- During the search for unrecorded accounts payable, it was determined that the Academy understated Transportation Expense and Accounts Payable by $23,600; and

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)

FINDING NUMBER 2010-002 (Continued)

Financial Reporting – Material Weakness (Continued)

- The Notes to The Basic Financial Statements were not presented consistently nor did they agree to the underlying financial statement data. This resulted in adjustments to amounts reported as Cash and Cash Equivalents, Capital Assets, Intergovernmental Revenues, Accrued Liabilities, Receivables, Line of Credit, Sponsorship Fees, Treasury Services, Debt Obligations and Related Party Transactions.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

Official's Response:

This finding is primarily related to practices of the Academy's Fiscal Officer that was in place at this time. As of November 1, 2011 the School has engaged a new Fiscal Officer who has extensive experience with charter schools and will be charged with ensuring that the Academy's records meet all aspects of sound internal control and bookkeeping practices.

FINDING NUMBER 2010-003

Developing and Implementing an Effective Monitoring System – Material Noncompliance and Material Weakness

Ohio Administrative Code Section 117-2-01(A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C)(5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring practices include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-003 (Continued)

Developing and Implementing an Effective Monitoring System – Material Noncompliance and Material Weakness (Continued)

- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

The Academy failed to perform adequate monitoring over financial activities. The lack of effective monitoring could lead to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws or regulations. This could result in a loss of funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected.

We recommend that management prepare monthly financial statements and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial statements and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations

Official's Response:

This finding is primarily related to practices of the Academy's Fiscal Officer that was in place at this time. As of November 1, 2011 the School has engaged a new Fiscal Officer who has extensive experience with charter schools and will be charged with ensuring that the Academy's records meet all aspects of sound internal control and bookkeeping practices.

FINDING NUMBER 2010-004

Entity-wide Bank Reconciliation – Material Weakness

Reconciliation of the Academy's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the Academy. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the District's records should be accounted for.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-004 (Continued)

Entity-wide Bank Reconciliation – Material Weakness (Continued)

We noted the Academy does not perform a monthly Academy-wide bank-to-book reconciliation. The only reconciliation completed during the fiscal year is at year-end. As described in the preceding finding, this reconciliation was inaccurate, requiring an audit adjustment to reduce reported cash by $19,737.

Failure to reconcile bank accounts and resolve discrepancies may result in errors in budgeting and financial reporting. Bank and investment balances should be reconciled with the Academy's cash fund balances on a monthly basis.

We recommend the Academy complete a monthly Academy-wide cash reconciliation which compares reconciled bank and investment balances to the Academy book balances. Also, the Treasurer should perform an additional review of the Academy-wide cash and investment reconciliation. This should include reviewing support for reconciling items.

Official's Response:

This finding is primarily related to practices of the Academy's Fiscal Officer that was in place at this time. As of November 1, 2011 the School has engaged a new Fiscal Officer who has extensive experience with charter schools and will be charged with ensuring that the Academy's records meet all aspects of sound internal control and bookkeeping practices.

FINDING NUMBER 2010-005

Interest in a Public Contract – Material Noncompliance

Ohio Revised Code Section 2921.42(A)(1) prohibits a public official from authorizing or using the authority or influence of the public official's office to secure a public contract in which the public official, a member of the public official's family, or any of the public official's business associate has an interest.

Additionally, Ohio Revised Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The following issues were noted during our engagement:

- Alexandria Boone, Founder and Developer of the Academy, owns Aries Transportation Company. During the fiscal year, the Academy made payments totaling $4,500 to Aries Transportation Company for rental of vans, maintenance and drivers.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-005 (Continued)

Interest in a Public Contract – Material Noncompliance (Continued)

As stated above, a public official is prohibited from having an interest in a public contract.

These matters will be referred to the Ohio Ethics Commission.

Official's Response:

The Board of Marcus Garvey Academy by its previous actions was aware of and approved this business relationship with Ms. Boone and had discussions around the ongoing need to fully disclose the relationship. The Van was badly needed for transportation of staff and students for training and extra-curricular and special learning activities and the Academy had no ability or creditworthiness to lease the Van on its own.

During FY2011 and thus far in FY2012, Ms. Boone has made two vans available to the Academy at no charge. A copy of an official donation letter (addressed to the Academy), in the amount of $6,000 for FY 2011 was provided to the auditors during this audit process.

FINDING NUMBER 2010-006

Federal Money – Material Noncompliance and Significant Deficiency

2 C.F.R. Part 225, Appendix A, Section A.2 states that governmental units assume responsibility for administrating 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 2010, the grant funds below were forwarded to the Academy. The Academy, however, failed to provide invoices to support any of the grant expenditures:

Programs:	**Amount**
Title I Disadvantaged Children Targeted Assistance, CFDA 84.010	$226,576.16
School Improvement Grants, CFDA 84.389	24,209.04
Special Education Cluster Grants To States (IDEA, Part B), CFDA 84.027	59,439.00
SFSF - Federal Stimulus, CFDA 84.394	85,056.74
Improving Teacher Quality, CFDA 84.367	9,705.00
Innovation Education, CFDA 84.298	335.22
Drug Free Schools, CFDA 84.186	128.12
Education Technology, CFDA 84.318	121.98
Total	**$405,571.26**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2010-006 (Continued)

Federal Money – Material Noncompliance and Significant Deficiency (Continued)

Had this been a federal Single Audit, the amounts mentioned above could have been questioned costs. In addition, without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Official’s Response:

This finding is primarily related to practices of the Academy’s Fiscal Officer that was in place at this time. As of November 1, 2011 the School has engaged a new Fiscal Officer who has extensive experience with charter schools and will be charged with ensuring that the Academy’s records meet all aspects of sound internal control and bookkeeping practices.

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MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Finding Number	**Finding Summary**	**Fully Corrected?**	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain**:**
2009-001	Finding for Recovery – Unsupported Credit Card Payments	Yes	No longer valid
2009-002	Finding for Recovery – Unsupported Checks	Yes	No longer valid
2009-003	Finding for Recovery – Wire Transfer	Yes	No longer valid
2009-004	SAS 115 Financial Reporting	No	Reissued as 2010-002
2009-005	Entity-wide Bank Reconciliation	No	Reissued as 2010-004
2009-006	Development and Implementation of Purchasing Cycle Controls	No	Reissued as a Management Letter comment
2009-007	Condition of Accounting Records	No	Reissued as 2010-001
2009-008	Developing and Implementing an Effective Monitoring System	No	Reissued as 2010-003
2009-009	Capital Assets	Yes	No longer valid
2009-010	Federal Food Service Assistance	Yes	No longer valid
2009-011	Federal Money	No	Reissued as 2010-006
2009-012	Related Parties	No	Removed
2009-013	Fiscal Officer Designation and Bonding Requirement	Yes	No longer valid
2009-014	Filing of Annual Financial Report	No	Reissued as a Management Letter comment

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MARCUS GARVEY ACADEMY

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
JANUARY 10, 2012