



**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011



Dave Yost • Auditor of State

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

Marcus Garvey Academy
Attn: Alexandria Boone, Deputy Head of School/Founder
540 East 105th Street
Cleveland, Ohio 44108

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Marcus Garvey Academy and the Sponsors:

We have selectively tested certain accounts, financial records, files, and reports of Marcus Garvey Academy, Cuyahoga County, Ohio, (the Academy) as of and for the period ended and year ended February 20, 2012 and June 30, 2011, respectively, following Ohio Admin. Code Section 117-4-02.

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 Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings, management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts and; the presence or absence of regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

As described in Note 13, the Ohio Department of Education issued a statement in August 2011 that the Academy would be closed effective June 30, 2012, due to academic viability. In response, the Academy voluntarily ceased operations on February 20, 2012.

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

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

Dave Yost
Auditor of State

March 28, 2013

**MARCUS GARVEY ACADEMY
 CUYAHOGA COUNTY, OHIO
 UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
 FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011**

	2012	2011
Cash Balance at Beginning of Year	\$14,154	\$13,117
Total Revenues	686,014	1,838,159
Total Expenses	680,176	1,837,122
Cash Balance at End of Year	\$19,992	\$14,154

See Accompanying Notes to the Unclassified Financial Statement.

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**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011**

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 kindergarten 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, 2012. Ashe Culture Center, Inc. was removed from sponsorship by the Ohio Department of Education on October 31, 2011. At this time, The Ohio Department of Education assumed sponsorship of the Academy. 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

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statement, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy does not apply FASB statements issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Academy's financial statements consist of an Unclassified Statement of Financial Position.

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 cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid; and accrued expenses and liabilities) are not recorded in these financial statements.

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.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 \$606,426 and \$1,774,982 in fiscal years 2012 and 2011, respectively.

Also included in revenues are miscellaneous items including, but not limited to, interest, proceeds from lines of credit, and donations. The total amount of miscellaneous revenues totaled \$79,588 and \$63,177 in 2012 and 2011, respectively.

F. Expenses

Expenses are all costs associated with the operation of the Academy.

The Academy's major expenditures for fiscal years 2012 and 2011 were payroll, building leases, construction/building maintenance, transportation, and security services.

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 February 20, 2012 and June 30, 2011, the bank balances of the Academy's deposits were \$19,992 and \$14,154, respectively.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

3. CASH AND CASH EQUIVALENTS (Continued)

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

The Academy had no deposit policy for custodial risk beyond the 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 February 20, 2012 and June 30, 2011, respectively, 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. 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 fiscal years 2012 and 2011, the Academy contracted with Pinkerton Insurance Co. for all of its insurance.

General liability coverage has a \$1,000,000 single occurrence limit and \$2,000,000 aggregate. Hired and Non-owned vehicles are covered at \$1,000,000 combined single limit of liability.

B. Worker's 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.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

5. RETIREMENT SYSTEMS

The Academy participates in the School Employees Retirement System (SERS) and State Teachers Retirement System of Ohio (STRS). SERS and STRS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribed contribution rates. For fiscal years 2012 and 2011, SERS and STRS members contributed 10 percent of their gross salaries and the Academy contributed an amount equal to 14 percent of annual covered payroll. The Academy has paid all contributions for fiscal years 2012 and 2011.

6. 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:

<u>Line of Credit</u>	<u>Balance at February 20, 2012</u>	<u>Balance at June 30, 2011</u>
6.25% Annually	\$95,265	\$99,431

The line of credit is uncollateralized. The Academy made mostly interest payments on the line. Upon realization that the Academy closed and would not repay the outstanding balance, PNC Bank charged off the remaining amount owed in November 2012, which at the time totaled \$90,502.

7. 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. 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 fiscal years 2012 and 2011.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

8. SPONSORSHIP – ASHE CULTURE CENTER

The Academy contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law, until it was revoked of its ability to sponsor the Academy in September 2011, which is described further in Note 13. Sponsorship fees are calculated as three percent of state funds received by Academy from the State of Ohio, as foundation. For the fiscal years ended February 20, 2012 and June 30, 2011, sponsorship fees totaled \$9,872 and \$35,946, respectively.

9. L.E.D. CONSULTING – 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. Termination occurred in November 2011. Payments to L.E.D. totaled \$14,555 and \$51,588 for the fiscal years ending February 20, 2012 and June 30, 2011, respectively.

10. 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 picked up the renewal option for the duration of fiscal years 2011 and 2012, albeit reworking the terms of the lease effective for November 2010. The Academy occupied the space for the entire term of the lease for the purpose of an educational facility. The Academy remitted payments totaling \$78,587 and \$150,480 to the Lessor for the fiscal years ending February 20, 2012 and June 30, 2011, respectively.

11. RELATED PARTY TRANSACTIONS

Dr. Jorethia Chuck, co-chair of Ashe Culture Center, the Academy's sponsor until September 2011, owns Exceptional Psychological Services. During fiscal years 2012 and 2011, the Academy made payments totaling \$2,190 and \$1,650, respectively, to Exceptional Psychological Services.

12. CLOSEOUT OF ACADEMY'S FUNDS

	<u>Enterprise Fund</u>
Cash Balance at February 21, 2012	\$19,992
Total Revenues	11,884
Total Expenses	<u>31,876</u>
Cash Balance at September 30, 2012	<u><u>\$0</u></u>

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**NOTES TO THE UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED FEBRUARY 20, 2012 AND JUNE 30, 2011
(Continued)**

13. MANAGEMENT PLAN

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, renewed its sponsorship of the Academy and the current agreement would have expired on June 30, 2012, however the Ohio Department of Education removed 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 at that time. 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. In response to this statement, the Academy voluntarily ceased operations on February 20, 2012.

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Marcus Garvey Academy
Attn: Alexandria Boone, Deputy Head of School/Founder
540 East 105th Street
Cleveland, Ohio 44108

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Marcus Garvey Academy and the Sponsors:

We have selectively tested certain accounts, financial records, files, and reports of Marcus Garvey Academy, Cuyahoga County, Ohio, (the Academy), as of and for the period ended and year ended February 20, 2012 and June 30, 2011, respectively, following Ohio Admin. Code Section 117-4-02. We noted the Ohio Department of Education issued a statement that the Academy would be closed by June 30, 2012 and that the Academy voluntarily ceased operations on February 20, 2012. Additionally, we noted Management has not provided a written representation letter.

Our engagement was not designed to result in expressing an opinion on the accompanying unclassified statement of financial position, internal control over financial reporting, or compliance. We, therefore, express no opinion on these matters.

Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our opinion, may have adversely affected the Academy's ability to record, process, summarize and report financial data consistent with assertions in the unclassified financial statement. In addition, these matters may have resulted in the occurrence of misstatements caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are reported in the accompanying Schedule of Findings as items 2012-002, 2012-003 and 2012-007.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements applicable to the Academy. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2012-001 through 2012-007.

We intend this report solely for the information and use of officials authorized to receive this report under Section 117.26 of the Ohio Rev. Code, and it is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 28, 2013

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT

FINDING NUMBER 2012-001

Finding for Recovery – Noncompliance

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 fiscal year 2012, L.E.D. Consulting, Inc. (L.E.D.) was contracted by the Academy to provide Treasurer and other accounting services at a rate of \$3,500 on a month-by-month basis from July 2011 through October 2011. However, for its service fees in September 2011, for which check number 3398 was issued on September 29, 2011 for \$3,500, the Academy did not maintain a valid signed contract.

Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. The failure to maintain adequate support for 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.

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 of public monies is hereby issued against Edward Dudley, owner of L.E.D. Consulting and former Academy Treasurer, in the amount of \$3,500, and in favor of the Ohio Department of Education.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

FINDING NUMBER 2012-002

Condition of Accounting Records – Noncompliance

Ohio Admin. 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 Admin. 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:

- The Academy did not maintain complete or consistent accounting records for fiscal year 2012;
- The Academy did not prepare a financial report for fiscal year 2012;
- The Academy did not perform accurate monthly bank-to-book reconciliations. No reconciliations were prepared for fiscal year 2012 and in fiscal year 2011, reconciliations were generated from the Academy's accounting software on a monthly basis, but were not accurate, nor were they reviewed;
- The Academy had no documentation maintained regarding its line of credit with PNC Bank;
- Checks were not prepared in sequential order;
- Four out of eight employee personnel files tested in fiscal year 2012, and five out of 12 tested in fiscal year 2011, were missing documentation regarding either salary or deduction authorization;
- The Academy was unable to provide a complete listing of 1099 forms for the period under audit;
- The Academy was unable to provide IRS Form 990 for either 2011 or 2012;
- The annual sponsorship report was not provided by the Academy's former sponsor, Ashe Culture Center, for fiscal year 2011; and
- The Academy did not provide a trial balance for fiscal years 2011 and 2012;

Failure to implement and maintain a system of controls over the Academy's financial records increased the chances of theft and other fraudulent activities and led to a disclaimer opinion.

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.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

**FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT
(Continued)**

FINDING NUMBER 2012-003

Developing and Implementing an Effective Monitoring Control System – Noncompliance

Ohio Admin. 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. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls 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;
- 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 lack of effective monitoring controls led to the misallocation or misstatement of Academy funds, expenditure of funds contrary to the directives of the Board of Directors, and non-compliance with federal or state laws or regulations.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

FINDING NUMBER 2012-004

Closing Procedures – Noncompliance

Ohio Rev. Code Section 3314.015 (E) requires the Ohio Department of Education to adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation. The guidance covers requirements of law, including aspects of federal and state funding requirements; actions taken and not taken by sponsors in the past; as well as relevant information which may be needed at some future point, after a school closes.

Ohio Rev. Code Section 3314.03 (D) states the contract shall specify the duties of the sponsor which shall be in accordance with the written agreement entered into with the department of education under division (B) of section 3314.015 of the Revised Code and shall include the following: (6) Have in place a plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year. When the school closes the following actions should be taken:

- Notify ODE that the school is closing and send the board resolution or an official sponsor notice from the superintendent or CEO within 24 hours of the action which includes the date of closing the school.
- Notify parents that the school is closing through a formal letter from the school GA and the sponsor superintendent or CEO within 24 hours of the action.
- Notify the Ohio State Teachers Retirement System and School Employees Retirement System.
- The Sponsor shall take control of and secure all school records, property, and assets immediately when the school closes. This includes the following:
 1. Student records shall be put into order and transcript materials produced immediately;
 2. A final FTE review shall be requested while student records are on site at the closed school and original student records shall be retained for the final state audit;
 3. Copies of student records shall be provided by the school's Chief Administrative Officer to all resident districts within seven business days of closure of the school as defined in section 3314.44 of the revised code; original records shall be sent by the sponsor to resident districts upon completion of the final state audit. In the interim, sponsors retain original records until completion of the audit; and
 4. Special education records shall be provided directly to receiving school special education administrators for all students with disabilities, particularly for students with physical needs or low incidence disabilities.
- In concert with the governing authority, notify the school's staff of the decision to close the school:
 1. Provide a clear written timeline of the closing process;
 2. Ensure that STRS and SERS contributions are current;
 3. Clarify COBRA benefits and when medical benefits end;
 4. Remind the faculty of their obligation to teach up to the date of closing or otherwise determine that the school is properly staffed up to the time of closing;
 5. Ensure that each faculty's LPDC information is current and available to teachers; and
 6. Provide sponsor contact person information to all staff.
- If the governing authority does not retain a treasurer to oversee the remaining financial activity, the sponsor shall act as or appoint a receiver to oversee the closing of the financial records in the absence of a fiscal officer.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

**FINDING NUMBER 2012-004
(Continued)**

Closing Procedures – Noncompliance (Continued)

- Keep State and Federal assets separated for purposes of disposition. Federal dollars cannot be used to pay state liabilities. Account for all school property throughout the closing process by distinguishing state from federal dollars:
 1. Review the financial records of the school;
 2. Establish the fair market value via fixed assets policy for all fixed assets;
 3. Establish check off list of purchasers with proper USAS codes, state codes, the price of each item and identify the source of the funds;
 4. Identify staff who will have legal authority for payment processes;
 5. Establish disposition plan for any remaining items; and
 6. Identify any State Facilities Commission guarantees.
- Prepare documentation for disposition of the school's fixed assets:
 1. Consistent with section 3314.051, offer real property acquired from a public school district to that school district's board first at fair market value. If the district board does not accept the offer within 60 days, dispose of the property in another lawful manner below.
 2. For Federal Title and other consolidated and competitive funds, follow EDGAR liquidation procedures in 34 CFR 80.32 including disposition for items valued at \$5,000 or greater.
 3. Public Charter School Program (PCSP) assets must first be offered to other community schools with requisite board resolutions consistent with the purpose of the PCSP. If there are no takers, then an auction sale must be held to dispose of the assets along with the state funded assets:
 1. Notify Office of Community Schools, then public media (print media, radio) of the date and location of any property disposition auction;
 2. Follow EDGAR liquidation procedures in 34 CFR 80.32 for items valued at \$5,000 or greater;
 3. Provide board resolutions and minutes of any assets transferred at no cost to another school;
 4. Provide OCS with a report of the property, and if available, a bill of sale; and
 5. After the above steps have been taken, any remaining assets may be offered to any public school district with documented board resolutions by the community school and the accepting district.
 4. Cafeteria equipment purchased with funds from the National School Lunch Program can only be liquidated through written guidance issued by the Office for Child Nutrition.
 5. Return to eTech hardware and software acquired with eTech grants.
- Utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following in order:
 1. Federal and state taxes, Medicare, Workers Compensation, and city wage tax;
 2. STRS/SERS/retirement systems and other adjustments;
 3. Teachers and Staff;
 4. Private creditors or those entities that have secured a judgment against the school, including audit preparation and audit costs; and
 5. Any remaining funds shall be forwarded to ODE for redistribution to resident school districts consistent with Ohio Revised Code Section 3314.074 and Chapter 1702 of the Ohio Revised Code.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

**FINDING NUMBER 2012-004
(Continued)**

Closing Procedures – Noncompliance (Continued)

- Review and prepare the following itemized financials:
 1. Year-end financial statements and if applicable schedule of federal awards;
 2. A cash analysis for determination of the cash balance as of the closing date;
 3. Compile bank statements for the year;
 4. List of investments in paper hard copy format;
 5. List of all payables and indicate when a check to pay the liability clears the bank;
 6. List all unused checks;
 7. List any petty cash;
 8. List of bank accounts, closing the accounts once all transactions were cleared;
 9. List of all payroll reports including taxes, retirement or adjustments on employee contract;
 10. List of all accounts receivable;
 11. List of assets and their disposition;
 12. Final FTE audit information;
 13. Arrange for and establish a date for the Auditor of State to perform a financial closeout audit.
- The Sponsor shall continually monitor the condition of the closed school and be prepared to receive or transmit funds on behalf of the school as directed by an appropriate agency. Receipt of funds can happen more than a year after a school's closure, and the sponsor must be agile in serving as the recipient of such funds and adjustments:
 1. Receive any funds or adjustments credited to the account of the closed school;
 2. Determine if any portion of any funds or adjustments can be applied to satisfy any remaining debt; and
 3. Send all or the remaining portion of the Ohio Department of Education, Office of Policy and Payments, for final disposition.

No evidence was provided that all of the above closeout procedures were performed.

This matter will be referred to the Ohio Department of Education.

FINDING NUMBER 2012-005

Federal Funds – Noncompliance

2 C.F.R. Part 225, 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.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

**FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT
(Continued)**

**FINDING NUMBER 2012-005
(Continued)**

Federal Funds – Noncompliance (Continued)

In fiscal years 2012 and 2011, the grant funds below were forwarded to the Academy. The Academy, however, failed to provide invoices to support any of the grant expenditures:

Programs	Amounts	
	2012	2011
National School Breakfast, CFDA #10.553	\$9,099	\$20,951
National School Lunch, CFDA #10.555	24,260	63,984
Title I Disadvantaged Children Targeted Assistance, CFDA #84.010	52,167	152,162
Title I ARRA, CFDA #84.389	14,452	67,248
School Improvement Grants, CFDA #84.010	26,214	-
Special Education Cluster Grants To States (IDEA, Part B), CFDA #84.027	27,036	42,010
Special Education Cluster Grants To States (IDEA, Part B) ARRA, CFDA #84.391	-	31,564
Education Technology, CFDA #84.318	-	63
Improving Teacher Quality, CFDA #84.367	-	3,190
State Fiscal Stabilization Fund, CFDA #84.394	-	105,573
Education Jobs, CFDA #84.410	2,792	40,808
TOTAL	\$156,020	\$527,553

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.

FINDING NUMBER 2012-006

Governing Board Membership, Notice of Public Meetings and Record of Minutes – Noncompliance

Ohio Rev. Code Section 3314.01 (B) provides a community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education. The governing authority of a community school may carry out any act and ensure the performance of any function that is in compliance with the Ohio Constitution, this chapter, other statutes applicable to community schools, and the contract entered into under this chapter establishing the school. Ohio Rev. Code Section 3314.02 (E) provides in part for a Governing Board of at least five members.

Ohio Rev. Code Section 121.22 (C) states that all meetings of any public body are declared to be public meetings 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 prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

**FINDING NUMBER 2012-006
(Continued)**

**Governing Board Membership, Notice of Public Meetings and Record of Minutes – Noncompliance
(Continued)**

Furthermore, this Rev. Code Section 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. Ohio Rev. Code Section 121.22 (F) states 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 notification immediately of the time, place, and purpose of the meeting.

During our review of the Academy's minute records, we noted the following:

- The Academy did not provide minutes for any meeting held during fiscal year 2012;
- There was no evidence of a public notice for any Board meeting;
- Evidence of the approval of Board Resolutions or motions made by the Board during those meetings was not provided. This includes, but is not limited to, prior meeting minutes, approval of loans and contracts made between the Academy and third parties, approval of salary resolutions and new employee contracts, approval of financial reports, budgets and forecasts or expenditures, etc.; and
- The Board was comprised of only three and four members during the audit period.

It is the Board's responsibility to oversee the Academy's operation and make decisions to ensure the Academy's goals and objectives are accomplished. The Board is responsible for determining the direction in which the Academy is heading. This occurs only after a great deal of consultation with parents, staff and students of the school to ensure that the school is providing the highest quality of education possible and a safe place in which students can learn. The Board minutes represent the official record of the Academy events and resolutions passed by the Board of Directors.

FINDING NUMBER 2012-007

Filing of an Annual Financial Report – Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. 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:

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

FINDINGS RELATED TO THE UNCLASSIFIED FINANCIAL STATEMENT (Continued)

**FINDING NUMBER 2012-007
(Continued)**

Filing of an Annual Financial Report – Noncompliance (Continued)

Ohio Admin. Code Section 117-2-03(B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section requires that community schools file annual financial reports which are prepared using generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

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

The Academy did not file a financial report for fiscal year 2012, which was required to be filed no later than November 30, 2012. This resulted in the maximum fine of \$750 to the Academy for noncompliance with the requirement. In addition, the Academy did not file a financial report for fiscal year 2011 until January 10, 2012, which was beyond the above deadline.

In addition, Ohio Rev. Code Section 117.38 provides, in part, that "at the time the report is filed with the Auditor of State, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer." No evidence was provided, by the Academy, that this required notice was published. This may prevent the public from being aware of the transparency available in the Academy. By not filing their financial reports and annual notice, the Academy is not fulfilling their duties of accountability and transparency to the public.

Official's Response:

The Academy declined to respond to the findings reported.

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**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FEBRUARY 20, 2012 AND JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Condition of Accounting Records	No	Not corrected, repeated as Finding Number 2012-002
2010-002	Financial Reporting	No	Not corrected, repeated as part of Finding Number 2012-002
2010-003	Developing and Implementing an Effective Monitoring System	No	Not corrected, repeated as Finding Number 2012-003
2010-004	Entity-wide Bank Reconciliations	No	Not corrected, repeated as part of Finding Number 2012-002
2010-005	Interest in a Public Contract	Yes	Corrected
2010-006	Federal Funds	No	Not corrected, repeated as Finding Number 2012-005

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Marcus Garvey Academy
Attn: Alexandria Boone, Deputy Head of School/Founder
540 East 105th Street
Cleveland, Ohio 44108

ASHE Culture Center Inc., Sponsor
Attn: Dr. Kwa David Whitaker, Ph.D., Esq., Co-Chair
Attn: Dr. Jorethia L. Chuck, Ph.D., Co-Chair
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Marcus Garvey Academy and the Sponsors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Marcus Garvey Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. In our report dated May 17, 2011, we noted the Board had not adopted an anti-harassment policy.
2. The Board ratified the policy on June 29, 2011. We read the ratified policy, noting it includes all the requirements listed in Ohio Rev. Code 3313.666.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 28, 2013



Dave Yost • Auditor of State

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
APRIL 9, 2013