



Mary Taylor, CPA
Auditor of State

RHEA COMMUNITY SCHOOL
MONTGOMERY COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Rhea Academy Community School
Montgomery County
113 East Third Street
Dayton, Ohio 45402

To the Board of Governance:

We were engaged to audit the financial statements of the business-type activities of Rhea Academy Community School, Montgomery County, (the School), as of and for the period July 1, 2005 through August 31, 2006.

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

Ohio Administrative Code §117.2-03(B) requires the School to prepare its annual report in accordance with GAAP. The School did not prepare financial statements nor did it maintain supporting documentation for bank reconciliations, receipts or deposits, capital asset listing, debt service, payroll, or non-payroll transactions to support the financial activity of the School's operations for the period ended August 31, 2006. Further, the School's records do not permit the application of other auditing procedures.

The Auditor of State has billed the School for audit services provided for fiscal year 2004 and 2005. As of the date of this report, the School has an outstanding balance of \$31,601. The Auditor of State has performed audit services for the period from July 1, 2005 through August 31, 2006 totaling \$10,506. AICPA Code of Professional Conduct, Section 100, ET Section 191 considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State.

Since the School did not prepare financial statements nor did they maintain supporting documentation to support the financial activity of the School's operations or the other information described in the preceding paragraphs, and we were not able to apply other auditing procedures to satisfy ourselves as to the School's financial operations, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial activity of the School for the period July 1, 2005 through August 31, 2006.

As described in Note 10, the School was denied application for sponsorship on July 1, 2006 and subsequently closed effective August 31, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2008, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an engagement performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our engagement.

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Mary Taylor, CPA
Auditor of State

February 1, 2008

RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF CASH BANK BALANCE
AS OF AUGUST 31, 2006

	<u>Amount</u>
Cash Bank Balance July 1, 2005	<u>\$15,191</u>
Cash Bank Balance August 31, 2006	<u><u>\$694</u></u>

See accompanying notes to the financial statements.

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**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2006**

1. DESCRIPTION OF THE SCHOOL

Rhea Academy Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in kindergarten through the sixth grade. The School qualifies as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school. The School was approved for operation under a contract with the Ohio State Board of Education (the Sponsor) for a period of five years commencing on June 26, 1999. 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. For fiscal years 2005 and 2004 the Ohio Department of Education (ODE) was the sponsor. On June 22, 2005, Buckeye Community Hope Foundation extended the existing ODE contract and became the sponsor through June 30, 2006. On July 1, 2006 Educational Resource Consultants of Ohio, Inc. (ERCO) denied the School application for sponsorship. On August 16, 2006, at the request of the Office of Community Schools, ERCO agreed to oversee the closing of Rhea Academy. On August 31, 2006 Rhea Academy was closed due to the lack of obtaining a sponsor.

The School operates under the direction of a five-member Board of Governance. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board of Trustees controls the School's one instructional/support facility. In fiscal year 2006 the facility was staffed by 4 non-certified and 4 certified full-time teaching personnel who provide services to 89 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

However, the school did not prepare financial statements for the period July 1, 2005 through August 31, 2006. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

Due to client not preparing financial report for the period under audit, the basis of presentation is the cash bank balance only.

B. Cash

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

**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Intergovernmental Revenues

The School participated in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. The School also participated in the Federal Charter School Grant Program through the Ohio Department of Education. Amounts awarded under the above-named programs for the 2006 school year totaled \$607,490.

D. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2006 are not reported as accrued liabilities in the accompanying financial statements.

E. Budgetary Process

The School must adopt a spending plan as set forth in the Ohio Revised Code 5705.391, which requires annual appropriations and annual revenue estimates.

Further, the contract between the School and its Sponsor requires monthly spending plans for subsequent fiscal years to be prepared and submitted annually. In addition, the contract between the School and its Sponsor requires a budget to be adopted annually, and be reviewed on a monthly basis.

The School did not follow budgetary procedures outlined in ORC 5705.391 or the contract between Rhea Academy and the Sponsor.

3. CAPITAL ASSETS

A summary of capital asset activity for fiscal year 2006 follows:

	Balance August 31, 2006
Equipment and Furniture	\$ 59,763
Vehicle	22,036
Leasehold & Improvements	232,957
Building	<u>78,305</u>
Totals	<u>\$393,061</u>

4. DEPOSITS

At August 31, 2006, the Cash Bank Balance was \$694. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of August 31, 2006, 100% of the School's bank balance was covered by Federal Deposit Insurance Corporation.

**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2006
(Continued)**

5. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% and the employer 14% of their annual covered salaries.

The school used independent contractors to perform teaching duties for the school during July 1, 2005 through August 31, 2006, but did not make contributions on their earnings to STRS. Also, the school was delinquent in the amount of \$396 as of August 31, 2006.

B. School Employees Retirement System

The School is required to contribute to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contribution for pension obligations to SERS for the fiscal year ended August 31, 2006 was \$3,742.

6. OPERATING LEASES

The School leases real estate under a three-year operating lease of \$2,800 per month, which expired on September 30, 2002. On December 15, 2003, the lease was extended for the same terms and conditions of the original lease, until December 31, 2006

**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED AUGUST 31, 2006
(Continued)**

7. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School.

B. State Contract

The School received approximately 100% of its operating income from the State of Ohio. Accordingly, the risk exists that the ability to continue the contract with the State of Ohio could affect the financial status of the School.

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. For fiscal year 2006 the adjustment was \$13,880 additional foundation owed to the School.

8. RELATED PARTY

Loans totaling \$19,491 were made by the Superintendent, Monica Rhea, to the School during fiscal year 2005. These loans, which were interest-free, were used to supplement the School's cash flows during the twelve months ended June 30, 2005.

9. ACCOUNTS PAYABLE

Rhea Academy owed Hemphill and Associates, CPA in the amount of \$3,700 for services rendered from June to September of 2006.

10. SCHOOL CLOSURE

Effective August 31, 2006 Rhea Academy was closed due to the lack of obtaining a Sponsor.

11. ACCOUNTABILITY

The School failed to comply with various requirements regarding availability of public records, filing of an annual report, retirement system contributions, board membership, adopting a spending plan, close-out procedures, and internal controls.



Mary Taylor, CPA

Auditor of State

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

Rhea Academy Community School
Montgomery County
113 East Third Street
Dayton, Ohio 45402

To the Board of Governance:

We were engaged to audit the financial statements of the Rhea Academy Community School, Montgomery County, (the School), as of and for the period ended August 31, 2006, and have issued our report thereon dated February 1, 2008, wherein we did not express an opinion because the School did not prepare financial statements nor did it provide supporting documentation for bank reconciliations, receipts or deposits, capital asset listing, debt service, payroll, or non-payroll transactions to support the financial activity of the School's operations for the period ended August 31, 2006. We also noted management failed to provide the Auditor of State certain representations as required by auditing standards generally accepted in the United States of America, the School has unpaid audit fees, and management did not provide minute records. Additionally, on August 31, 2006 School was closed due to failure to obtain a Sponsor.

Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the School's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001, 2006-006, and 2006-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2006-001, 2006-006, and 2006-008 listed above to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-008.

We intend this report solely for the information and use of the management, the Governing Board, and the Community Schools sponsor. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 1, 2008

**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
AUGUST 31, 2006**

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

FINDING NUMBER 2006-001

Noncompliance and Material Weakness

Ohio Rev. Code Section 149.43(B)(1) provides in part that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. **Ohio Revised Code Section 149.011(G)** states that record, for purposes of the public records law, includes any document, device, or item, regardless of physical form or characteristic, created, received by, or coming under the jurisdiction of any public office which serves to document the organization, functions, policies, decisions, procedures, operations, or other activities of the public office. In addition, **Ohio Rev. Code Section 3314.03(A)(8)** requires all community schools to maintain financial records in the same manner as all public school districts pursuant to the rules of the Auditor of State. Further, **Ohio Rev. Code Section 149.351(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **Ohio Rev. Code Sections 149.38 to 149.42**.

Additionally, **Ohio Administrative Code Section 117-2-02(D)** states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors.

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

- No bank reconciliations or bank statements were provided for audit. The Auditor of State (AOS) could not determine cash in the bank agrees to the cash in the book. Bank Statements were not available for review, AOS had to Subpoena period ending and beginning statements from the bank.
- No receipts or deposit slips were provided for audit, accordingly, we were unable to agree or verify \$67,135 of the foundation receipts and \$10,747 federal subsidy receipts were deposited in the School's bank account.
- No capital asset listing was provided for audit. Due to not having a capital asset listing we were not able to determine the School's capital assets are accurate.
- No debt records were provided for audit. Due to the fact not having debt records, we were unable to verify outstanding debt balances.
- No payroll records (payroll register, cancelled payroll checks, W-2s, 941s (Employer Quarterly Federal Tax Return), State Teacher Retirement System STRS, or School Employees Retirement System SERS etc.), was provided for audit. Due to not having these records, we were unable to test payroll expenditures for the audit period, including the corresponding accruals such as intergovernmental payable, accrued wages, or compensated absences.
- No non-payroll records - (check register, purchase orders, invoices, cancelled checks or expenditure ledger) was provided for audit. Due to not having these records, we were unable to test non-payroll expenditures for the audit period, including the corresponding accruals such as accounts payable.

No other records were provided for audit. Failure to retain public records could result in the School's inability to detect errors or irregularities in the normal course of business.

FINDING NUMBER 2006-002

Noncompliance

Ohio Administrative Code Section 117-2-03(B) requires that all counties, cities, and school districts, including educational service centers and community schools, shall file, annual financial reports which are prepared using generally accepted accounting principles (GAAP). Pursuant to Ohio Rev. Code Section 117.38 the annual financial report is required to be filed with the Auditor of State within 150 days after the close of the fiscal year.

The School failed to file an annual financial report as prescribed by the above section for fiscal year 2006. Additionally, the client's reports were not available for audit.

FINDING NUMBER 2006-003

Noncompliance

Ohio Rev. Code Section 3314.10(A)(2) states that employees hired by the governing authority of any community school is subject to either Chapter 3307, or 3309, of the Revised Code.

Ohio Rev. Code Section 3307.26 states, in part, that each teacher shall contribute eight percent of the teacher's earned compensation, except that the state teachers' retirement board may raise the contribution rate to a rate not greater than ten percent of the teacher's earned compensation. Further, the contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the teachers' paid compensation for such payroll period or other period as the board may approve.

Based on confirmation with STRS, Rhea Academy used independent contractors to perform teaching duties for the School during the period July 1, 2005 through August 31, 2006. However the School did not make any contributions on their earnings to STRS, additionally the School was delinquent in the amount of \$396 as of August 15, 2006. Records were not available for this period and this comment was made in the prior audit. We will refer this issue to STRS.

The School should remit all STRS withholdings, both employee and employer share. This will help reduce the possibility of additional expenditures to the School for fines imposed for late pension filings.

FINDING NUMBER 2006-004

Noncompliance

Ohio Rev. Code Section 3309.23 requires that school employees as defined in Ohio Rev. Code Section 3309.01 shall be contributors into the School Employees Retirement System (SERS). **Ohio Rev. Code Section 3309.47** states, in part, that each school employee's retirement system contributor shall contribute eight percent of the contributor's compensation to the employee's savings fund, except that the school employees' retirement board may raise the contribution rate to a rate not greater than ten percent of compensation. The contribution for all non teaching employees shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the employees' paid compensation for such payroll period or other period as the Governing Authority may approve.

Based on confirmation with SERS, as of August 31, 2006, Rhea Academy owed SERS of Ohio a total of \$3,742. Records were not available for this period and this comment was made in the prior audit. We will refer this issue to SERS.

The School should remit all SERS withholdings, both employee and employer share. This will help reduce the possibility of additional expenditures to the School for fines imposed for late pension filings.

FINDING NUMBER 2006-005

Noncompliance

The Ohio Ethics Commission has found that all members of the governing board of a community school are subject the Ohio Ethics Law and related statutes, as set forth in **Ohio Rev. Code Chapter 102 and Sections 2921.41 and 2921.43**, except as set forth in **Division (A)(11)(e) of Section 3314.03 of the Revised Code**. (See Ohio Ethics Commission Opinion No. 2003-01).

Monica Rhea held positions as both a member of the Governing Board and as the Superintendent for the School. These positions should not be held by the same person to promote autonomy of the officials.

FINDING NUMBER 2006-006

Noncompliance and Material Weakness

Ohio Rev. Codes 5705.391(A) and 3314.03(A)(11)(d) authorizes the department of education and the auditor of state to adopt rules requiring boards of education and governing authorities of community schools, respectively, to submit five-year projections of operational revenues and expenditures.

Ohio Administrative Code 3301-92-04(A) states that upon the adoption of an annual appropriation measure no later than October 31 of each fiscal year, a board of education, (including community schools), shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years (a spending plan). Pursuant to **Ohio Administrative Code 3301-92-04(F)**, a school district including community schools shall update its five-year projection between April 1st and May 31st of each fiscal year and submit it to the department of education.

The School failed to adopt a five year projection for fiscal year 2006. Preparation of these documents would have provided a guide for the financial operations of the School and allowed routine comparison to actual activity for monitoring purposes.

FINDING NUMBER 2006-007

Noncompliance

Ohio Rev. Code Section 3314.015(E) provides that the department of education shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school. The guidance 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 need at some future point, after a school closes. When the school closes the following actions should be taken:

- Arrange for dissemination of all school records to students' districts of residence, with a list of all records and their destination sent to the sponsor.
- Arrange to send all school's non-student, non-personnel records to the sponsor.
- Inform the school's staff of the decision to close the school:
Review the history of the school, Provide the reasons for closing, Share the School's commitment to the staff (facilitate employment, ensure STRS and SERS contributions, Clarify medical benefits, etc.).
- Inform the students and parents of the decision to close the school.
- Inform the public.

**FINDING NUMBER 2006-007
(Continued)**

- Schedule a final FTE review.
- Notify the Information Technology Center and arrange for a method by which all outstanding EMIS data will be reported.
- Notify the traditional public district in which the community school is located and traditional public school districts providing transportation to the community school.
- Account for all school property throughout the closing (utilize fixed assets list and inventory to account for all items).
- Establish date, after school has closed to make disposition of schools property;
(Notify all other community schools and traditional public schools of the date of the sale).
- Verify that the Auditor of State has been contacted and a financial audit date established.
- Prepare financials for audit.
- Submit financials to the Auditor of State including the results of the property sale.
- Utilize proceeds and foundation dollars and any other income to pay the following order:
STRS/SERS retirement and other adjustments, Teachers and staff, Employment taxes and Federal taxes, Audit preparation, Private creditors, State Treasury General Revenue Fund and Grant status with FERs and Obligations.
- Arrange for an accounting firm or the Auditor of State to verify the following financials;
Complete cash analysis, compile bank statements for the year and give to the sponsor.
Document outstanding accounts payable and clear with bank, collect and void all unused checks, document and provide any petty cash to sponsor, close bank accounts once all transactions are cleared and verify all payroll reports including taxes and retirements.

Rhea Academy Community School did not follow the above School Closing procedures when the School closed.

FINDING NUMBER 2006-008

Noncompliance and Material Weakness

Ohio Rev. Code Section 3314.03(B)(5) states that a community school shall submit to the sponsor a comprehensive plan for the school specifying internal financial controls.

Further, Auditor of State Bulletin 2000-05 provides that an internal control process provides reasonable assurance of the integrity of its financial reporting, the safeguarding of its assets, the efficiency and effectiveness of its operation, and its compliance with applicable laws, regulations, and contracts.

In designing its internal control process, management should consider policies and procedures that provide for the following:

- Appropriate authorization and approval of transactions;
- Adequate design of records to facilitate classification and summarization of transactions;
- Security of assets and records;
- Periodic reconciliations of account balances; and
- Periodic verification of assets.

The School did not implement internal controls over cash reconciliations, maintenance of records, input to ledgers, and support for cash disbursements.

**RHEA ACADEMY COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
AUGUST 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	The court case, <i>State ex rel. McClure v. Hagerman</i> , 155 Ohio St. 320(1951), A finding of \$2,250 during fiscal year 2005 and \$10,235 during fiscal year 2004 in expenditures that either lacked supporting documentation, or the documentation that was provided was inadequate	Unknown	Could not verify, lack of accounting records.
2005-002	Ohio Rev. Code Sections 3314.10 and 3307.26 The amount deducted from the employees' payroll of \$557 and the \$866 employer share for fiscal year 2005 and \$887 employee share and \$986 employer share for fiscal year 2004. These amounts were not remitted to SERS and additionally, according to the employee's title, teachers' aid, they should be remitted to STRS not SERS.	No	Repeated as Finding 2006-003.
2005-003	26 USC 3402(a) – the School withheld from employees but did not remit to the United States Treasury \$21,909 of income taxes withheld for fiscal year 2004 and \$30,322 for fiscal year 2005.	Unknown	Could not verify, lack of accounting records.
2005-004	ORC Sec. 149.43 – The School failed to retain public records and make them available for inspection to any member of the general public and auditors at all reasonable times during regular business hours.	No	Not corrected- repeated as finding 2006-001.
2005-005	ORC Sec. 5747.06 the School withheld State taxes from employees payroll, however did not remit \$7,092 in fiscal year 2005 and \$4,965 in fiscal year 2004 to the Ohio Department of Taxation.	Unknown	Could not verify, lack of accounting records.
2005-006	Sec. 36.104(A) City of Dayton Income Tax Ordinance – During fiscal years 2005 and 2004, Rhea Academy withheld City of Dayton income taxes from employees' payroll in the amount of \$3,898 and \$2,778, respectively. However, the School did not remit these taxes to the City of Dayton.	Unknown	Could not verify, lack of accounting records.
2005-007	26 USC 3102(a) and 26 USC 3111 (a) During fiscal years 2005 and 2004, Rhea Academy failed to withhold and remit to the United States Treasury, Medicare taxes totaling \$5,024 for employees and employer share for 2005 and \$4,566 for 2004.	Unknown	Could not verify, lack of accounting records.

Rhea Academy Community School
Montgomery County
Schedule of Prior Audit Findings
Page 2

2005-008	Ohio Rev. Code Section 4123.38 the Academy failed to remit premiums to the Ohio Bureau of Workers' Compensation (BWC) during fiscal year 2005 and 2004	Unknown	Could not verify, lack of accounting records.
2005-009	Internal Revenue Service (Publication 15; Circular E, Employers Tax Guide) The Academy failed to pay the United States Treasury, Federal Unemployment Taxes (FUTA).	Unknown	Could not verify, lack of accounting records.
2003-010	Exhibit 3 of the School's contract with the Ohio Department of Education, requires that staff members be given one year contract or pay rate should be approved by the board. Three individuals did not have their rate approved by the board.	No	Finding No Longer Valid
2005-011	Exhibit 3 of the School's contract with the Ohio Department of Education, page 14 requires' the Academy to provide sick leave and personal days. The Academy failed to provide sick leave and two personal days per year for eligible staff members.	No	Finding No Longer Valid
2005-012	Ohio Administrative Code Section 117-2-02(D) – The Academy failed to retain adequate accounting records.	No	Not corrected. Repeated as part of finding 2006-001.
2005-013	Ohio Administrative Code Section 117-2-03(B) - The School failed to file an annual financial report within the time line prescribe by the above section.	No	Not corrected. Repeated as finding. 2006-002.
2005-014	Ohio Rev. Code Section 3314.03(11)(b) - The school failed to renew the liability insurance policy.	No	Finding No Longer Valid
2005-015	Ohio Rev. Code Chapter 102 and Sections 2921.41 and 2921.43, except as set forth in Division (A)(11)(e) of Section 3314.03 of the Revised Code. Monica Rhea held positions as both a member of the Governing Board and as the Superintendent for the School which is in violation of the above code.	No	Not corrected. Repeated as finding 2006-005.
2005-016	Ohio Rev. Code Section 3314.011 & 3301.074 – The fiscal officer failed to have a license and did not complete continuing education certification documenting that the fiscal officer obtained eight hours of continuing education in school accounting as approved by the sponsor of the community school.	Unknown	Could not verify, lack of accounting records.
2005-017	26CFR section 1.6041-1 The School did not complete IRS Form 1099 for 5 independent contractors in fiscal year 2005	Unknown	Could not verify, lack of accounting records.

Rhea Academy Community School
Montgomery County
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2005-018	Ohio Administrative Code 3301-92-04 - The Board failed to adopt a spending plan and five year projection.	No	Not corrected – repeated as finding 2006-006.
2005-019	Ohio Rev. Code Section 3314.03 and Auditor of State Bulletin 2000-005 - The School did not implement internal controls over cash reconciliations, maintenance of records, input to ledgers, and support for cash disbursements.	No	Not corrected – repeated as finding 2006-008.
2005-020	The School failed to compensate employees according to their contract for three individuals.	Unknown	Could not verify, lack of accounting records.
2005-021	The School payroll disbursements per payroll ledger did not agree to general ledger and payroll expenditures were posted at net instead of gross.	Unknown	Could not verify, lack of accounting records.
2005-022	As of June 30, 2005 and 2004, the School had a negative cash book balance of (\$59,182) and (\$45,107), respectively. A negative book balance is caused by improper monitoring of revenues and expenditures and indicates that the School expended money that was not available.	Unknown	Could not verify, lack of accounting records.
2005-023	The School does not have formal policies for the following: Cash Collection and Deposit procedures, Usage of Cell Phones, School Credit Card and Purchase Cards, School – Owned Vehicles and Equipments, Allowable and unallowable expenses on amount of reimbursement for travel reimbursement by employees and Use of “frequent flyer” mileage earned on official travel for personal use.	Unknown	Could not verify, lack of accounting records.
2005-024	June 30, 2005 and 2004 outstanding check lists, contained numerous checks that have been outstanding from four months to three years.	Unknown	Could not verify, lack of accounting records.



Mary Taylor, CPA
Auditor of State

RHEA ACADEMY COMMUNITY SCHOOL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2008**