



Mary Taylor, CPA
Auditor of State

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY
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Mary Taylor, CPA

Auditor of State

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 Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2006, 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.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Garvey Academy as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Academy incurred an operating loss of \$244,266 for the year ended June 30, 2006 and accumulated a total net asset deficit of \$68,613 as of June 30, 2006

The Auditor of State had billed the Academy for audit services provided for fiscal years 2005, 2004, and 2003. As of the date of this report, the Academy has been billed a total of \$50,634 and has yet to pay \$10,627.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2009, 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.

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Cuyahoga County
Independent Accountants' Report
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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. However, we did not audit the information and express no opinion on it.

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

October 19, 2009

Marcus Garvey Academy
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

The discussion and analysis of the Marcus Garvey Academy's (the Academy's) financial performance provides and overall review of the Academy's financial activities for the fiscal year ended June 30, 2006. 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 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 Governments* issued June 1999.

Financial Highlights

- In total, net assets decreased \$73,184 from 2005. This decrease was directly related to an increase in outstanding debt obligations of the Academy.
- Total revenues increased by \$121,831 and total expenses increased by \$272,143. While the Academy received additional foundation revenue during the period, salary and benefits expenses increased as the result of the hiring of additional certificated staff in 2006.
- The total assets of the Academy decreased by \$24,116 over 2005. This decrease is primarily due to the initial year of depreciation expense related to capital assets which were purchased in 2005.

Using this Financial Report

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

Marcus Garvey Academy
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when cash is received or paid.

This statement reports the Academy's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as state revenue, student enrollment growth, and facility conditions in arriving at their conclusion regarding the overall health of the Academy.

Table 1 provides a summary of the Academy's net assets for fiscal years 2006 and 2005.

Table 1 Net Assets		
	<u>2006</u>	<u>2005</u>
Current Assets	\$ 52,154	\$ 64,805
Capital Assets, Net	<u>51,918</u>	<u>63,383</u>
Total Assets	104,072	128,188
Current Liabilities	<u>172,685</u>	<u>123,617</u>
Total Liabilities	172,685	123,617
Net Assets:		
Invested in Capital		
Assets, net	51,918	63,383
Unrestricted	<u>(120,531)</u>	<u>(58,812)</u>
Total Net Assets	<u>\$ (68,613)</u>	<u>\$ 4,571</u>

The positive portion of the Academy's total assets reflects its investment in capital assets net of related debt. The Academy uses capital assets to provide services; consequently, these assets are not available for future spending.

Net Assets of the Academy have decreased \$73,184 and unrestricted net assets reflect a negative balance of \$68,613. The decrease in net assets is primarily the result of the increase in current liabilities related to the debt for the Academy's line of credit.

Marcus Garvey Academy
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2006 and 2005, as well as revenues and expenses.

Table 2
Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Foundation payments	\$ 912,946	\$ 729,011
Other Operating Revenues	14,056	12,465
Non-Operating Revenues:		
Federal and State subsidies	<u>179,889</u>	<u>243,584</u>
Total Revenues	\$ 1,106,891	\$ 985,060
 Operating Expenses:		
Salaries & Wages	602,049	422,899
Fringe Benefits	139,940	59,734
Purchased Services	310,127	281,198
Materials & Supplies	62,158	82,535
Depreciation	13,539	2,942
Miscellaneous	43,455	55,660
Non-Operating Expenses:		
Interest expense	<u>8,807</u>	<u>2,964</u>
Total Expenses	\$ 1,180,075	\$ 907,932
 Change in Net Assets	 \$ (73,184)	 \$ 77,128

The Academy's net assets decreased significantly during 2006, resulting in a deficit balance. Depreciation expense increased in 2006 as a result of the initial year of depreciation for capital assets purchased in 2005. The Academy added ninth grade to its curriculum in 2006, which resulted in an increase in salary and benefit expenses for the additional certificated staff hired to provide services to students.

Capital Assets

The Academy maintains a capitalization threshold of \$500. At June 30, 2006 the Academy had invested \$69,594 in capital assets, and had reported \$17,676 in accumulated depreciation. Additional information regarding capital asset activity is included in the notes to the basic financial statements (Note IV).

Marcus Garvey Academy
A Community School
Cuyahoga County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Debt Activity

During fiscal year 2003, the Academy opened a line of credit with a local financial institution for cash flow purposes at various times during its initial year of operation. During fiscal year 2006, the Academy found it necessary to borrow against the line of credit principal leaving \$98,810 outstanding at June 30, 2006.

Restrictions and Other Limitations

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

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

Contacting the Academy

This financial report is designed to provide a general overview of the finances of the Marcus Garvey Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to LED Consulting, 676 Brook Hollow, Gahanna, Ohio 43230, or by phone at (614) 328-7131.

**Marcus Garvey Academy
Cuyahoga County
Statement of Net Assets
as of June 30, 2006**

Assets

Current Assets

Cash and Investments	\$ (13,748)
Receivable - Intergovernmental	65,902
Total Current Assets	<u>52,154</u>

Non-Current Assets

Capital assets (Net of Accumulated Depreciation)	<u>51,918</u>
Total Assets	104,072

Liabilities and Net Assets

Current Liabilities

Accounts Payable	9,411
Accrued Wages & Benefits	53,791
Due to Other Governments	10,673
Line of Credit	98,810
Total Current Liabilities	<u>172,685</u>

Total Liabilities	<u>172,685</u>
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Net Assets

Invested in Capital Assets	51,918
Unrestricted	(120,531)
Total Net Assets	<u><u>\$ (68,613)</u></u>

The accompanying Notes are an integral part of the Financial Statements

**Marcus Garvey Academy
Cuyahoga County
Statement of Revenues, Expenses,
and Changes in Net Assets
for the Fiscal Year ended June 30, 2006**

Operating Revenues	
Sales	\$ 2,388
Foundation Payments	912,946
Other Operating Revenues	11,668
Total Operating Revenues	<u>927,002</u>
Operating Expenses	
Salaries & Wages	602,049
Fringe Benefits	139,940
Other Purchased Services	310,127
Materials & Supplies	62,158
Depreciation	13,539
Miscellaneous	43,455
Total Operating Expenses	<u>1,171,268</u>
Operating Income	(244,266)
Non-Operating Revenues and (Expenses)	
Federal subsidies and State Grants	179,889
Interest Expense	(8,807)
Total Non-Operating Revenues and (Expenses)	<u>171,082</u>
Change in Net Assets	(73,184)
Net Assets (Deficit) beginning of year	4,571
Net Assets (Deficit) end of year	<u>\$ (68,613)</u>

The accompanying Notes are an integral part of the Financial Statements

**Marcus Garvey Academy
Cuyahoga County
Statement of Cash Flows
for the Fiscal Year ended June 30, 2006**

Cash Flows from Operating Activities	
Cash received from sales	\$ 2,388
Cash received from Foundation Payments	912,946
Cash received from Other Operating Revenues	11,668
Cash payments for personal services	(716,995)
Cash payments for contract services	(310,628)
Cash payments for supplies and materials	(64,952)
Cash payments for Miscellaneous	(42,551)
Net Cash Provided By/(Used for) Operating Activities	<u>(208,124)</u>
Cash Flows from Noncapital Financing Activities	
Cash from Federal & State Subsidies	125,195
Proceeds borrowed	80,000
Principal repaid	(1,936)
Interest Expense	(8,807)
Net Cash from Noncapital Financing Activities	<u>194,452</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	<u>(53,673)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(53,673)</u>
Net increase in cash and cash equivalents :	(67,345)
Cash and cash equivalents at beginning of year	53,597
Cash and cash equivalents at end of year	<u>\$ (13,748)</u>
Reconciliation of Operating Income to Net Cash Provided By (Used for) Operating Activities	
Operating Income	(244,266)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities	
Depreciation	13,539
Changes in Assets and Liabilities:	
Accounts Payable	(52,737)
Accrued Wages and Benefits	18,591
Intergovernmental Payable	3,768
Line of Credit	52,981
Total Adjustments	<u>36,142</u>
Net cash provided (used) by operating activities	<u>\$ (208,124)</u>

The accompanying Notes are an integral part of the Financial Statements

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MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

I. Description of the School and Reporting 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 sixth through ninth. 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.

On November 19, 2001 the Academy submitted a proposal to the Ohio Department of Education to open a community school in the fall of 2002. The Ohio Department of Education approved the proposal and entered into a contract with the Academy, which provided for the commencement of operations at the beginning of the 2002-2003 school year.

The Academy was approved for operation under contract with the Ashe Culture Center, Inc. (the Sponsor) for a period of five years commencing July 1, 2005 and shall terminate on June 30, 2010. 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 5-member Governing Board. The Board is responsible for carrying out the provisions of the contract, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Board controls the Academy's instructional facility staffed by eight classified and thirteen certified full time personnel who provide services to 110 students.

II. Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principals 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 principals. The Academy also applies Financial Accounting Standards Board Statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. Summary of Significant Accounting Policies (Continued)

1. Basis of Presentation

The Academy uses enterprise accounting to track and report its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Contributions and grants are recognized when the donor makes a promise to give to the Academy that is unconditional.

3. 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 Rev. Code Section 5705, unless specifically provided in the schools contract with its sponsor. The contract between the Academy and its sponsor requires a detailed budget for each year of the contract.

4. Cash and cash equivalents

All monies received by the Academy are maintained in a demand deposit account in the name of Marcus Garvey Academy. For internal accounting purposes, the Academy segregates its cash.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. Summary of Significant Accounting Policies (Continued)

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

6. 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, 2006, of which all grant requirements had been satisfied, consisted of the School Nutrition Program, Title I, Title II-A, Title II-D, Title V and Drug Free grant funding which totaled \$65,902.

7. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value on the date received. The Academy maintains a capitalization threshold of \$500. The Academy does not possess any infrastructure.

Depreciation and amortization of leasehold improvements, computers, and equipment are computed using the straight-line method over their estimated useful lives. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

<u>Assets</u>	<u>Years</u>
Computers and Equipment	5

8. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, Poverty Based Assistance (PBA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

II. Summary of Significant Accounting Policies (Continued)

9. Compensated Absences

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

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

10. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its balance sheet relating to expenses, which are due but unpaid as of June 30, 2006, including:

Wages Payable – a liability has been recognized at June 30, 2006 for salary payments made after year-end that were for services rendered in fiscal year 2006.

Intergovernmental Payable – payment for the employer's share of the retirement contribution, workers' compensation, and Medicare associated with services rendered during fiscal year 2006, but where not paid until the subsequent fiscal year.

11. Net Assets

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

III. Deposits and Investments

At fiscal year end June 30, 2006, the carrying amount of the Academy's deposits totaled \$(13,748) and its bank balance was \$75,854. All of the bank balance was covered by the Federal Depository Insurance Corporation. As of June 30, 2006, the Academy had \$31 in petty cash.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

IV. Capital Assets

A summary of the Academy's capital assets as of June 30, 2006 follows:

	Balance			Balance
Capital Assets Being Depreciated:	06/30/05	Additions	Deletions	06/30/06
Computers and Equipment	\$67,520	\$2,074	-	\$69,594
Total Capital Assets Being Depreciated	67,520	2,074	-	69,594
Less Accumulated Depreciation:				
Computers and Equipment	(4,137)	(13,539)	-	(17,676)
Total Accumulated Depreciation	(4,137)	(13,539)	-	(17,676)
Total Capital Assets Being Depreciated				
Net	\$ 63,383	\$ (11,465)	\$ -	\$ 51,918

V. Purchased Services

Purchased Services include the following:

Professional and Technical Services	\$ 107,122
Property Services	73,323
Travel	29,348
Communications	30,183
Contract Services	64,573
Pupil Transportation	5,578
Total Purchased Services	\$ 310,127

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

VI. Debt

The Academy held the following debt during the fiscal year:

1. Line of Credit

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

<u>Line of Credit</u>	<u>Credit Limit</u>	<u>Balance June 30, 2006</u>
6.25% National City	\$100,000	\$98,810

Principal payments of \$9,361 were made during fiscal year 2006. Interest payments in the amount of \$8,807 were made during the year. The line of credit is uncollateralized. This line of credit is presented on the financial statements as liabilities.

VII. Risk Management

1. Property and 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 year 2006, Marcus Garvey Academy contracted with Pinkney-Perry Ins. Agency Inc. for all of its insurance.

General liability coverage has a \$2,000,000 single occurrence limit and \$4,000,000 aggregate. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability.

2. 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.

3. Workers' Compensation

The Academy makes premium payments to the Ohio Worker's Compensation System for employee injury coverage. As of June 30, 2006 there have been no claims filed by Marcus Garvey employees with the Ohio Worker's Compensation System.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

VIII. Defined Benefit Pension Plans

1. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute an actuarially determined rate. The current rate for 14 percent of annual covered payroll. A portion of the Academy'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 statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$ 30,565, \$18,509, and \$8,900 respectively. 94.77 percent has been paid for 2006. 100 percent has been paid for 2005 and 2004.

2. State Teachers Retirement System

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsohio.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 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

VIII. Defined Benefit Pension Plans (Continued)

2. State Teachers Retirement System (Continued)

the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are 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.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. 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 Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005 and 2004 were \$40,711, \$32,213 and \$16,233, respectively; 91.08 percent has been contributed for fiscal year 2006 and 100 percent for fiscal year 2005 and 2004.

3. Postemployment Benefits

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

VIII. Defined Benefit Pension Plans (Continued)

3. Postemployment Benefits (Continued)

fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount was \$3,132 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000, and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Academy, the amount to fund health care benefits, including the surcharge, during the 2006 fiscal year was \$14,528.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

IX. Contingencies

1. Grants

The Academy 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of Marcus Garvey Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Marcus Garvey Academy at June 30, 2006.

MARCUS GARVEY ACADEMY
A Community School
Cuyahoga County

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

IX. Contingencies (Continued)

2. Federal Tax Exemption Status

The Academy has applied for status as an exempt organization under Internal Revenue Code Section 501 (c)(3). The Internal Revenue Service (IRS) issued a proposed conclusion that the Academy does not qualify for federal tax exemption under Section 501 (c)(3) of the Internal Service Code and must file federal income tax returns. Should the Academy fail to obtain federal tax exempt status, it will be subject to federal income tax, the effect of which has not been assessed.

X. Related Party Transactions

The Director of Development of the school Alex Boone is the CEO of GAAP Communications of which the school paid \$6,725.



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*

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

To the Board of Directors:

We have audited the basic financial statements of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 19, 2009, wherein we noted the Academy incurred an operating loss of \$244,266 for the year ended June 30, 2006 and accumulated a total net asset deficit of \$68,613 as of June 30, 2006. As of the date of this report, the Academy has unpaid audit fees owed to the Auditor of State of \$10,627. 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*. In addition, our report indicated the Academy's audit cost has not been paid in full.

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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2006-005 through 2006-006 and 2006-009 through 2006-010 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

Marcus Garvey Academy
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings 2006-005 through 2007-006 and 2006-009 through 200-010 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated October 19, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated October 19, 2009.

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, Board of Directors, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 19, 2009

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-001
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Finding for Recovery

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.

On December 7, 2005, check number 100236 in the amount of \$2,994 was issued and authorized by Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, and made payable to Women of Color Foundation, for which board approval was not included in the minute record of the Board of Directors. This payment was for six registrations to a "4th Annual Women of Color Foundation, Executive Women's Leadership Retreat" whose co-sponsor was GAP Communications, which is owned by the developer of the Academy. We were unable to determine the purpose of attendance in conjunction with the operation of the Academy and we were unable to locate the approval for this payment.

Without appropriate support documentation it is not possible to determine if the expenditure 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.

Additionally, 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 strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of \$2,994 and in favor of Marcus Garvey Academy.

Client Response:

The "4th Annual Women of Color Foundation Executive Leadership Retreat" was attended by four of our Board members and was sanctioned as necessary for leadership development. While Board minutes might not have reflected direct approval it was wholly believed that proper public purpose was served by their attendance.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

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

FINDING NUMBER	2006-002
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Finding for Recovery

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.

On June 14, 2006, check number 100538 in the amount of \$1,594.44 was issued and authorized by Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, and made payable to Aries Transportation Company for a lease payment of two passenger vans. We were unable to locate a copy of a lease agreement or transportation contracts between the Academy and the leasing company. In addition, board approval was not recorded in the minute record of the Board of Directors.

Without appropriate support documentation it is not possible to determine if the expenditure 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.

Additionally, 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 strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of \$1,594.44 and in favor of Marcus Garvey Academy.

Client Response:

The vans were used in the direct service of the school to transport children to and from school. These vans had been used in previous years and had been leased from Aries Transportation Company with Board sanction.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

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

FINDING NUMBER	2006-003
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Finding for Recovery

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 2006, the Academy made payments in the amount of \$17,538.84 to Thomas Properties and Leasing Company for the lease of two 15 passenger vans. In addition, the Academy made payments in the amount of \$5,000 for the maintenance of these vans as according to the lease agreement. A review of the minute record of the Board of Directors revealed no board authorization for the lease of these vehicles.

Without appropriate support documentation it is not possible to determine if the expenditure 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.

Additionally, 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 strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. To the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revise Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of \$14,349.96 and in favor of Marcus Garvey Academy and against Ross Cockfield, Executive Director, and Irving Kerr, authorized signatory, jointly and severally, in the amount of \$8,188.88 and in favor of Marcus Garvey Academy.

Client Response:

The vans were used in the direct service of the school to transport children to and from school. These vans had been used in previous years and had been leased from Thomas Properties and Leasing Company with Board sanction. More specifically, the invoices identifying payment for use of the vehicles clearly specified a three year commitment. While direct Board approval might not have been noted, clearly the Board was aware of the agreement as well as their prescribed use. Additionally, maintenance agreements were necessary for the general upkeep of the vans.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

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

FINDING NUMBER	2006-004
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Finding for Recovery

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

During the fiscal year, the Academy made credit card payments totaling \$26,538.89. The Academy was not able to provide supporting documentation for \$14,806.04 and furthermore, we were unable to verify that \$1,819.26 of this amount was used on behalf of the Academy.

The Academy's failure to maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, make 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 strictly liable for the amount of this expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. *Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Alexandria Boone, Developer and Director of Marketing, for her unsupported credit card purchases in the amount of \$13,638.45 and in favor of Marcus Garvey Academy, and against Ross Cockfield, Executive Director, and Stephen Sites, Treasurer, jointly and severally, in the amount of \$2,986.85 and in favor of Marcus Garvey Academy.

Additionally, 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 such expenditure. *Seward 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 should 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.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

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

FINDING NUMBER	2006-004
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Finding for Recovery (Continued)

Accordingly, Stephen Sites, Treasurer, will be liable in the amount of \$6,256.72 to the extent that recovery is not obtained from Alexandria Boone, Developer and Director of Marketing, and in favor of Marcus Garvey Academy.

Accordingly, Stephen Sites, Treasurer, and Ross Cockfield, Executive Director, jointly and severally, will be liable in the amount of \$7,381.73 to the extent that recovery is not obtained from Alexandria Boone, Developer and Director of Marketing, and in favor of Marcus Garvey Academy.

Client Response:

Credit card purchases are primarily for fuel and vehicle maintenance not covered by the maintenance agreement. Also, card use covers those purchases of an immediate nature or those that are not possible because purchase orders are not accepted. The Board was aware of card usage

FINDING NUMBER	2006-005
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Books, Records of Accounts, and Minutes

Ohio Revised Code Section 1702.15 provides, in part, that "[e]ach corporation shall keep correct and complete books and records of account, together with minutes of the proceedings of its incorporators, members, directors, and committees of its directors or members."

The Academy failed to maintain files of original supporting documentation for non-payroll transactions. Also, the minute records of the Board of Directors did not provide board approval of salaries and wages paid to the employees or lease agreements entered into by the Academy. Consequently, we were unable to determine the completeness, accuracy, and validity of the non-payroll and payroll transactions. This lack of supporting documentation also contributed to our noncompliance determination reported in findings 2006-001 through 2006-004.

We recommend the Academy maintain financial records which are complete and accurate. If necessary, the Academy should review all of the available training and obtain the training necessary to maintain complete and accurate records of account.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-006
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Condition of Accounting Records

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 Administrative Code.

Management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records consisted of the following:

- Supporting documentation for non-payroll expenditures for 25 of 61 transactions tested were not provided;
- Contracts and/or wage rates were not provided for 13 of 60 transactions tested; and
- There was no evidence of the Board reviewing or approving the financial activity of the Academy.

This lack of supporting documentation and approvals described above contributed to our noncompliance determination reported in findings 2006-001 through 2006-004.

We recommend the Academy develop and maintain a system of controls and financial records which exhibit the financial position of the Academy, and at a minimum, consist of the following:

- Revenue ledgers which record all sources of monies received, purpose of the receipt, and from whom received;
- Sequentially numbered duplicate receipts prepared for all monies received;
- Copies of all deposit transactions to the bank;
- Reconciliations of bank deposits to duplicate receipts and revenue ledgers;
- Development of a system to document approvals for expenditures made;
- Expenditure ledgers which record all expenditures of monies and the purpose of the expenditure;
- Files which consist of the original invoices received for all expenditures made which cross reference to the checks prepared for the payment of the invoices (if invoices are not filed with the canceled checks);
- Files of all canceled checks returned from the bank;
- Complete and accurate listings of all outstanding checks at the end of each month;
- Complete and accurate monthly bank to book reconciliations;
- Preparation of monthly financial statements;
- Development of Board policies which enumerate and describe the financial records to be maintained by the Academy;
- Development by management of a complete system of controls to help ensure the completeness, accuracy, and validity of the Academy's financial transactions; and,
- Evidence of review of the financial statements and supporting documentation by the Board and management.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-006
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Condition of Accounting Records (Continued)

The Academy 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.

FINDING NUMBER	2006-007
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Conflict of Interest

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. Ohio Revised Code Section 102.03(D) prohibits a public official from authorizing or using the authority or influence of office or employment, to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official with respect to that person's duties.

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 issue was noted during our engagement:

- Alexandria Boone, Founder and Board Secretary of the Academy also owns GAP Communications Group. During the audit period, the Academy made payments of \$6,725 to GAP Communications Group for public relations, marketing services and administrative office services.

This matter will be referred to the Ohio Ethics Commission.

FINDING NUMBER	2006-008
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Fiscal Officer Designation, Bonding Requirement, and Licensing

Ohio Revised Code Section 3314.011 provides the School designate an individual as the fiscal officer. The Ohio Administrative Code (OAC) Section 117-6-07 requires the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. The bond amount and surety is to be established by resolution of the governing authority. Bonding is conditioned on the faithful performance of the employee's official duties.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2006-008
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Fiscal Officer Designation, Bonding Requirement, and Licensing (Continued)

In addition, Ohio Revised Code Section 3314.011 provides, prior to assuming the duties of fiscal officer, the fiscal officer designee shall be licensed as prescribed by Section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under this section shall complete an additional twenty-four hours of continuing education within one year after assuming the duties of fiscal officer of the school.

The Academy did not make available a bond for the position of fiscal officer (treasurer). Should an error or theft occur without a performance bond, the Academy may not be able to recover all of its lost revenues. The Board did designate an individual as a fiscal officer, however, did not make available the necessary license of the fiscal officer (treasurer).

We recommend the Academy review the provisions of Ohio Revised Code sections 3314.011 and 3301.074, and OAC Section 117-6-07 and take the necessary steps to ensure that the fiscal officer is identified by the Board, the individual is adequately bonded and is licensed and has completed the required continuing education training.

FINDING NUMBER	2006-009
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Developing and Implementing an Effective Monitoring Control System

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 controls are 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.

MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

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

FINDING NUMBER	2006-009
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Developing and Implementing an Effective Monitoring Control System (Continued)

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 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.\

FINDING NUMBER	2006-010
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Development and Implementation of Purchasing Cycle Controls

The Academy does not require written authorization prior to a purchase being initiated. In addition, verbal authorizations obtained from management are not regularly documented. Formal purchase requisitions, purchase orders, or tally sheets were not utilized and there was no process in place to match invoices and checks prior to making payment. Monthly financial statements were not prepared during the year.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)**

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

FINDING NUMBER	2006-010
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Development and Implementation of Purchasing Cycle Controls (Continued)

We recommend the Academy utilize purchase requisitions and/or purchase orders along with the payment record and obtain proper authorization before committing Academy funds. Academy personnel should provide written acknowledgment when goods and services are received. This lack of supporting documentation also contributed to our noncompliance determination reported in findings 2006-001 through 2006-004.

Management should compare invoices, purchase orders, and receiving acknowledgments prior to authorizing payment. Board approval of monthly financial statements and the implementation of an accounting package would provide the necessary financial information to allow the Academy to make informed financial decisions.

Note: We did not receive any client responses to Findings Number 2006-005 through 2006-010.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; Explain:
2005-001	Board Hiring Approval	Partially	Reissued as a management letter comment
2005-002	Books, Records of Accounts, and Minutes	No	Reissued as 2006-005
2005-003	Board Meetings	Yes	
2005-004	Developing and Implementing an Effective Monitoring Control	No	Reissued as 2006-009
2005-005	Development and Implementation of Purchasing Cycle Controls	No	Reissued as 2006-010
2005-006	Development and Implementation of Payroll Processing Procedures	Yes	
2005-007	Condition of Accounting Records	No	Reissued as 2006-006
2005-008	Finding for Recovery	Yes	
2005-009	Finding for Recovery	Yes	
2005-010	Finding for Recovery	No	Reissued as part of finding 2006-003
2005-011	Finding for Recovery	No	Reissued as part of finding 2006-003
2005-012	Finding for Recovery	No	Reissued as part of finding 2006-003
2005-013	Finding for Recovery	No	Reissued as part of finding 2006-003
2005-014	Finding for Recovery	No	Reissued as part of finding 2006-003
2005-015	Finding for Recovery	No	Reissued as part of finding 2006-002
2005-016	Finding for Recovery	No	Reissued as part of finding 2006-002

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006
(CONTINUED)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No <u>Longer Valid</u> ; Explain:
2005-017	Finding for Recovery	No	Reissued as part of finding 2006-001
2005-018	Finding for Recovery	No	Reissued as part of finding 2006-001
2005-019	Finding for Recovery	Yes	
2005-020	Financial Report Filing	Yes	
2005-021	Expenditures of Public Funds/"Proper Public Purpose"	Yes	
2005-022	Five Year Revenue and Expenditure Projection	Yes	
2005-023	Annual Report of Activities	Partially	Issued as a management letter comment
2005-024	Fiscal Officer Designation, Bonding Requirement, and Licensing	No	Reissued as 2006-008
2005-025	Revenue Receipting Procedures	Yes	
2005-026	Policy Regarding Potential Conflict of Interest	Yes	



Mary Taylor, CPA
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
NOVEMBER 19, 2009**