



**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Dave Yost • Auditor of State

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Independent Accountants' Report.....	1
Management's Discussion and Analysis	3
Statement of Net Assets as of June 30, 2009	7
Statement of Revenues, Expenses and Changes in Net Assets for the Fiscal Year Ended June 30, 2009	8
Statement of Cash Flows for the Fiscal Year Ended June 30, 2009	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Schedule of Prior Audit Findings	43
Independent Accountants' Report on Applying Agreed-Upon Procedures	45

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the business type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Academy did not maintain sufficient documentation to support disclosures or amounts recorded as capital assets.

The Academy did not maintain sufficient documentation to support disclosures or amounts recorded for its line of credit.

In our opinion, except for the effect, if any, of adjustments to financial statement amounts or revisions to disclosures that may have required for the capital assets and line of credit described above, the financial statements referred to above present fairly, in all material respects, the financial position of Marcus Garvey Academy, as of June 30, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 16 to the basic financial statements, the Academy has a net deficit of \$357,414. In addition, as noted in Note 15, the Academy had its funding suspended in April, 2011 by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. Under the Ohio Revised Code, a community school may not operate without a sponsor. These conditions raise substantial doubt about the Academy's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

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

Dave Yost
Auditor of State

May 17, 2011

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Our discussion and analysis of the Marcus Garvey Academy (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the Academy for 2009 are as follows:

- Total assets increased by \$94,411.
- Total liabilities increased by \$246,299.
- Total net assets decreased by \$151,888.
- Total operating revenues were \$1,137,773. Total operating expenses were \$1,530,062.

USING THIS ANNUAL REPORT

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

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how the Academy did financially during fiscal year 2009. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

The Academy uses enterprise presentation for all of its activities.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2009. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal years 2009 and 2008.

**Table 1
Statement of Net Assets**

	2009	2008
Assets		
Current Assets	\$124,690	\$17,751
Capital Assets, Net of Accumulated Depreciation	<u>12,210</u>	<u>24,738</u>
Total Assets	<u><u>136,900</u></u>	<u><u>42,489</u></u>
Liabilities		
Current Liabilities	<u>494,314</u>	<u>248,015</u>
Total Liabilities	494,314	248,015
Net Assets		
Investment in Capital Assets, Net of Related Debt	12,210	24,738
Restricted	10,706	-
Unrestricted	<u>(380,330)</u>	<u>(230,264)</u>
Total Net Assets (Deficit)	<u><u>\$(357,414)</u></u>	<u><u>\$(205,526)</u></u>

Net assets decreased to a deficit of \$357,414, a decrease of \$151,888 from 2008. Capital Assets, net of depreciation, decrease primary due to the annual depreciation charge-off to \$12,528. Liabilities increased from 2008 by \$246,299. This increase was mainly due to an increase in the liabilities for accrued wages and benefits payable and increase in the accounts payable.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal years 2009 and 2008, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

**Table 2
Change in Net Assets**

	<u>2009</u>	<u>2008</u>
Operating Revenue:		
State Foundation	\$1,122,030	\$ 562,563
Other Operating Revenues	15,703	30,525
Total Operating Revenues	1,137,733	593,088
Operating Expenses:		
Salaries	674,382	443,089
Fringe Benefits	104,660	103,489
Purchased Services	521,558	172,556
Materials and Supplies	164,410	892
Depreciation Expense	12,528	13,931
Other Operating Expense	52,524	393
Total Operating Expenses	1,530,062	734,350
Operating Income (Loss)	(392,329)	(141,262)
Non-Operating Revenues and (Expenses)		
Federal and State Grants	240,441	121,453
Misc. Local Revenues	0	14,363
Refunds	0	1,117
Total Non-Operating Revenues and (Expenses)	240,441	136,933
Increase (Decrease) in Net Assets	\$ (151,888)	\$ (4,329)

Operating revenues increased \$544,645, which represents a 91.8% increase from 2008, due to the significant increase in student enrollment. Operating expenses increased by \$795,712, which represents a 108.4% increase from 2008 that is attributable to the increase in salaries and purchased services.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

BUDGETING HIGHLIGHTS

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

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

CAPITAL ASSETS

The Academy has \$12,210 invested in capital assets, net of accumulated depreciation. No additional investments in capital assets in the fiscal year were made. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

DEBT OBLIGATIONS

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

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**Statement of Net Assets
June 30, 2009**

Assets

Current Assets:

Cash and Cash Equivalents	\$ 70,238
Intergovernmental Receivable	43,746
Rent Deposit	<u>10,706</u>

Total Current Assets 124,690

Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets, net	<u>12,210</u>
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Total Noncurrent Assets 12,210

Total Assets \$ 136,900

Liabilities

Current Liabilities:

Accounts Payable	\$ 168,709
Accrued Wages & Benefits	133,871
Loans Payable	3,500
Line of credit	150,757
Intergovernmental Payable	30,583
Bank Loan, Credit Card	<u>6,894</u>
Total Current Liabilities	494,314

Total Liabilities 494,314

Net Assets

Invested in Capital Assets, net	12,210
Restricted for Rent deposit	10,706
Unrestricted	<u>(380,330)</u>

Total Net Assets (Deficit) \$ (357,414)

See accompanying notes to the basic financial statements

**MARCUS GARVEY
CUYAHOGA COUNTY**

**Statement of Revenues,
Expenses and Changes in Fund Net Assets
June 30, 2009**

Operating Revenues:

State Foundation	\$ 1,122,030
Other	15,703
Total Operating Revenues	<u>1,137,733</u>

Operating Expenses:

Salaries	674,382
Fringe Benefits	104,660
Purchased Services	521,558
Materials and Supplies	164,410
Depreciation	12,528
Other	52,524
Total Operating Expenses	<u>1,530,062</u>

Operating Loss (392,329)

Non-Operating Revenues (Expenses):

Federal and State Grants	240,441
Contributions	-
Total Non-Operating Revenues (Expenses)	<u>240,441</u>

Change in Net Assets (151,888)

Net Assets, Beginning of Year (Deficit) (205,526)

Net Assets, End of Year (Deficit) \$ (357,414)

See accompanying notes to the basic financial statements

Marcus Garvey Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from State of Ohio	\$1,122,030
Cash Received from Other Sources	15,703
Cash Payments to Suppliers for Goods and Services	(556,871)
Cash Payments to Employees for Services and Benefits	(702,523)
Other Cash Payments	<u>(22,547)</u>
Net Cash Used for Operating Activities	<u>(144,208)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal & State Grants Received	<u>235,319</u>
Net Cash Provided by Noncapital Financing Activities	<u>235,319</u>
Net Increase in Cash and Cash Equivalents	91,111
Cash and Cash Equivalents at Beginning of Year	<u>(20,873)</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 70,238</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating Loss	\$ (392,329)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Depreciation	12,528
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Change in Assets and Liabilities:

Increase in Rental Deposits	(10,706)
Increase in Accounts Payable	139,803
Increase in Accrued Wages and Benefits	76,519
Decrease in Line of Credit	(11,000)
Increase in Due to Other Governments	30,583
Increase in Other Liabilities	<u>10,394</u>

Total Adjustments	<u>248,121</u>
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Net Cash Used for Operating Activities	<u><u>(\$144,208)</u></u>
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See accompanying notes to the basic financial statements

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**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE ENTITY

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

The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy was approved for operation under a contract with Ohio State Board of Education and commenced operation at the beginning of the 2002-03 school year.

The Academy was approved for operation under the contract with Ashe Culture Center, Inc. (the Sponsor) for a period of five years commencing July 1, 2006 and shall terminate on June 30, 2011. The Sponsor is responsible for evaluating the performance of the school and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a four-member Board of Directors. The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses and Changes in Fund Net Asset, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes net assets, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the Academy's sponsorship agreement. The contract between the Academy and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

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

E. Estimates

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

F. Capital Assets

Fixed assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in additions to or deductions from net assets. Fixed assets were \$12,210, as of June 30, 2009, net of accumulated depreciation. Deprecation of fixed assets is calculated utilizing the straight-line method over the estimated useful lives of the assets. The useful lives follow:

<u>Asset</u>	<u>Useful Life</u>
Computers and Equipment	5 years

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

G. Intergovernmental Revenues

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

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues (Continued)

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

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

Under the above programs the Academy received \$1,362,471 this fiscal year.

H. Compensated Absences

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

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

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements which consist of Accounts Payable of \$168,709, Loans Payable of \$3,500, Intergovernmental Payables of \$30,583, Accrued Wages and Benefits of \$133,871, a Credit Card balance of \$6,894 and a Short Term Credit Line of \$150,757 at June 30, 2009.

J. Intergovernmental Receivables

All receivables are considered collectible in full due to the stable condition of State programs, and the fiscal year guarantee of federal funds. Intergovernmental receivables of the Academy at June 30, 2009, of which all grant requirements had been satisfied, consisted of the School Nutrition Program and Title Funding Grants which totaled \$43,746.

K. Prepaid Deposit Items

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Exchange and Non-Exchange Transactions

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

M. Net Assets

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

N. Operating Revenues and Expenses

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

3. CASH AND CASH EQUIVALENTS

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

The Academy maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000, per qualifying account. At June 30, 2009, the book amount of the Academy's deposits was \$70,238 and the bank balance was \$73,760. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2009, none of the bank balance was exposed to custodial credit risk.

**MARCUS GARVEY ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

4. CAPITAL ASSETS AND DEPRECIATION

For the period ending June 30, 2009, the Academy's capital assets consisted of the following:

	<u>Balance 06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/09</u>
Capital Assets Being Depreciated:				
Computer and Equipment	\$ 38,669	\$ -	\$ -	\$38,669
Total Capital Assets Being Depreciated	38,669	-	-	38,669
Less Accumulated Depreciation:				
Computer and Equipment	(13,931)	(12,528)	-	(26,459)
Total Accumulated Depreciation	(13,931)	(12,528)	-	(26,459)
Net Total Capital Assets	<u>\$ 24,738</u>	<u>\$ (12,528)</u>	<u>\$ -</u>	<u>\$12,210</u>

5. RISK MANAGEMENT

A. Property & Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2009, the Academy contracted with Pinkney-Perry Inc. Agency Inc. for all of its insurance.

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

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

6. DEFINED BENEFIT PENSIONS PLANS

A. State Teachers Retirement System of Ohio (STRS Ohio)

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

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

A DB or Combined Plan member with five or more years credited service 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rate of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$55,714, \$31,044 and \$40,929 respectively; 100 percent has been contributed for fiscal year 2009, 2008 and 2007.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

B. School Employees Retirement System (SERS Ohio)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the year ended June 30, 2009, 2008 and 2007 were \$24,552, \$47,448 and \$29,240, respectively, 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the Academy Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the Academy Retirement System. As of June 30, 2009, there were no members that elected Social Security. The contribution rate is 6.2 percent of wages.

7. POST EMPLOYMENT BENEFITS

A. School Employee Retirement Systems

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40. SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2009, the actuarial required allocation is .75 percent The Academy's contributions for the years ended June 30, 2009, 2008 and 2007 were \$1,315, \$2,237 and \$3,371, respectively, all of which has been contributed for all fiscal years.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

7. POST EMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year ending June 30, 2009, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were \$3,507, \$6,778 and \$10,215, respectively, of which 100% has been contributed.

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

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

B. State Teachers Retirement System

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

7. POST EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$4,286, \$2,338 and \$3,148, respectively, all of which has been contributed for all fiscal years.

8. DEBT- PNC Bank - Line-of-credit

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

<u>Line of Credit</u>	<u>Balance at June 30, 2009</u>
6.25% annually	\$150,757

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

9. CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has not been performed for the fiscal year 2009.

**MARCUS GARVEY ACADEMY
 CUYAHOGA COUNTY, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

10. ASHE CULTURE CENTER, INC. - Sponsorship

The Academy contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated at three percent of net state funds received by the Academy from the State of Ohio, as foundation. For the fiscal year ended June 30, 2009 the total sponsorship fees totaled \$33,352. The Academy paid \$29,333 during fiscal 2009, with the remaining balance of \$4,019 as part of the Accounts Payable balance in the accompany statement of net assets.

11. L.E.D. CONSULTING, INC. – Treasury Services

The Academy entered into a contract with L.E.D. Consulting, Inc. effective February 15, 2008 to provide treasury services, as defined by the contract. Contract provision binds the Academy to pay \$2,500 per month for the duration of the agreement until terminated by mutual agreement of the parties. The Academy paid \$30,000 for these services for the fiscal year ending June 30, 2009 and paid \$14,545 for additional services provided forth within the contract. The Academy has recorded Accounts Payable of \$2,000 for services received under the agreement not paid as of June 30, 2009.

12. ST. PHILOMENA CHURCH- The Roman Catholic Diocese of Cleveland, Ohio

Lease - General Classroom Space

The Academy executed a lease agreement, for the premises known as the First Presbyterian Church of East Cleveland on August 1, 2008. The initial term of the lease was for ten months, beginning on August 15, 2008 and ending on June 30, 2009, followed by two, one year options running from July 1, 2009 to June 30, 2010 and July 1, 2010 to June 30, 2011. The Academy was to pay 14% of the Net amount of State Foundation Revenue received each month per month. Academy occupied the space for the entire term of the lease for the purpose of an educational facility. The Academy remitted payments totaling \$61,633 to the Church for the period ending June 30, 2009. The Academy accrued a payable of \$88,050 for the balance of the lease payments for 2009.

13. PURCHASED SERVICES

For the period of July 1, 2008 through June 30, 2009, the Academy made the following purchased services commitments.

	2009
Professional and Technical Services	\$165,919
Property Services	102,509
Utilities	2,255
Communications	12,146
Contractual Trade Services	86,700
Pupil Transportation	152,029
	\$521,558

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

14. RELATED PARTY TRANSACTIONS

Dr. Jorethia Chuck, co-chair of Ashe Culture Center, the Academy's sponsor, owns Exceptional Psychological Services. During the fiscal year, the Academy made payments totaling \$4,200 to Exceptional Psychological Services.

Alexandria Boone, Founder and Developer of the Academy, owns Aries Transportation Company. During the fiscal year, the Academy made payments totaling \$4,594 to Aries Transportation Company for rental of vans, maintenance and drivers.

Alexandria Boone, Founder and Developer of the Academy, owns GAP Communications Group. During the fiscal year, the Academy made payments totaling \$7,000 to Alexandria for public relations, marketing services and administrative office services through GAP Communications Group.

Bernadette Mayfield, Title I Parental Liaison/Student Activities Coordinator, was also an employee of GAP Communications Group. During the fiscal year, the Academy made payments totaling \$5,073 to Bernadette for public relations, marketing services and administrative office services through GAP Communications Group.

Paula Newman, Business Manager, was also an employee of GAP Communications Group. During the fiscal year, the Academy made payments totaling \$2,232 to Paula for public relations, marketing services and administrative office services through GAP Communications Group.

15. SUBSEQUENT EVENTS

In April 2011, the Academy had its funding suspended by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. Pursuant to the Ohio Revised Code, the Academy may not operate without a sponsor.

16. POSSIBLE FINANCIAL DISTRESS

As of June 30, 2009, the Academy had a net deficit of \$357,414. In addition, as noted in Note 15, the Academy had its funding suspended in April 2011, by the Ohio Department of Education due to their inability to provide financial records. In addition, Ashe Culture Center, the Academy's sponsor, has not renewed its sponsorship of the Academy and the current agreement will expire on June 30, 2011. The Academy is aware of these situations and is currently in the process of obtaining financial records from its sponsor and Treasurer and is in pursuit of a new sponsor.

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Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the business-type activities of Marcus Garvey Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated May 17, 2011, wherein we noted there was insufficient evidence to support capital assets and the Academy's line of credit. We also reported that Ohio Department of Education suspended the Academy's funding in April, 2011, and the Academy's sponsor will not extend its sponsorship agreement after June 30, 2011. Ohio law prohibits community schools from operating without a sponsor. Therefore, our report expressed substantial doubt about the Academy's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-011 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2009-007 through 2009-014.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated May 17, 2011.

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

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



Dave Yost
Auditor of State

May 17, 2011

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Recovery – Unsupported Credit Card Payments – Material Weakness

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, unsupported credit card purchases in the amount of \$177 were made by Alexandria Boone. These credit card purchases were issued and authorized by Ross Cockfield, Executive Director and Ed Dudley, Treasurer.

Also during this fiscal year, unsupported credit card purchases in the amount of \$3,215 were made by Ross Cockfield, and issued by Ed Dudley.

Without proper supporting 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.

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 Alexandria Boone, Founder, for her unsupported credit card purchases in the amount of \$177 and in favor of Marcus Garvey Academy, and against Ross Cockfield, Executive Director, for his unsupported credit card purchases, in the amount of \$3,215 in favor of the 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. *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 secondarily liable for the loss incurred such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and 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.

Accordingly, Ed Dudley, Treasurer, is jointly and severally liable in the amount of \$3,392 and in favor of Marcus Garvey Academy and Ross Cockfield, Executive Director, is jointly and severally liable, in the amount of \$177 and in favor of Marcus Garvey Academy.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-001 (Continued)

**Finding for Recovery – Unsupported Credit Card Payments – Material Weakness
(Continued)**

Official's Response:

There is no way to address this finding for \$177 in unsupported credit card charges without specific detail about the charges.

Ross Cockfield is no longer employed by the Marcus Garvey Academy and will address his \$3,215 in unsupported credit card charges personally as he did for 2007.

Auditor's Response:

Adequate supporting documentation was not provided to determine proper public purpose.

FINDING NUMBER 2009-002

Finding for Recovery – Unsupported Checks – Material Weakness

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 October 10, 2008, check number 2172, in the amount of \$3,118 was issued and authorized by Edward Dudley, Treasurer, and made payable to ASHE Culture Center. Of the \$3,118, \$700 was for services not provided by ASHE Cultural Center and billed by and paid to Exceptional Psychological Services on March 4, 2009 with check number 2334.

On March 4, 2009, check number 2334, in the amount of \$2,100 was issued and authorized by Edward Dudley, Treasurer, and Ross Cockfield, Executive Director, and made payable to Exceptional Psychological Services. Exceptional Psychological Services provided support that the invoice was incorrect and payment was never made. The Academy's records show the check was voided. However, the check was cleared through the bank. The Academy paid the invoice again with check number 2415. Therefore, Exceptional Psychological Services was overpaid by \$2,100.

On June 7, 2009, check number 2491, in the amount of \$2,000 was issued by Edward Dudley, Treasurer, and made payable to Ross Cockfield. The Academy was unable to provide documentation that accurately supported amount disbursed to Ross Cockfield.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Finding for Recovery – Unsupported Checks – Material Weakness (Continued)

Without proper supporting documentation, it is not possible to determine if the expenditures included items that would not be considered a proper public purpose. The failure to maintain adequate support for these expenditures could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ross Cockfield in the amount of \$2,000 and in favor of Marcus Garvey Academy, and against ASHE Cultural Center in the amount of \$700 in favor of the Marcus Garvey Academy.

In Addition, 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. *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. Public officials will be liable if and 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

Accordingly, Ed Dudley, Treasurer, is jointly and severally liable in the amount of \$4,800 and in favor of Marcus Garvey Academy and Ross Cockfield, Executive Director, is jointly and severally liable, in the amount of \$2,100 and in favor of Marcus Garvey Academy.

Official's Response:

The findings for Exceptional Psychological Services will be addressed directly by its President/Owner, Dr. Jorethia Chuck.

Check # 2491, date June 7, 2009 in the amount of \$2,000 was for students to pack boxes for our June 21 move from 16200 Euclid Avenue, in East Cleveland to our current location of 540 East 105th Street in Cleveland. During the audit we provided supporting documentation for \$1,900 of this amount. Only \$100 remains unsubstantiated.

Auditor's Response:

Supporting documentation provided was not adequate to determine proper public purpose.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003

Finding for Recovery – Wire Transfer – Material Weakness

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 September 25, 2008, a \$1,783 wire transfer was made and authorized by Ross Cockfield, Executive Director and Ed Dudley, Treasurer, and made payable to Omega Communications. The Academy was unable to provide supporting documentation for this transaction, or any evidence of use of Omega Communications as a vendor by the school.

Without proper supporting 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.

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

Accordingly, Edward Dudley, Treasurer, and Ross Cockfield, Executive Director, are jointly and severally liable in the amount of \$1,783 and in favor of Marcus Garvey Academy.

Official's Response:

A copy of the invoice from Omega Communications was provided to the Auditor of State by Ms. Paula Newman, MGA Business Manager to support the wire transfer of \$1,783 on September 25, 2008.

Auditor's Response:

Supporting documentation provided was not adequate to determine proper public purpose.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004

SAS 115 Financial Reporting – Material Weakness

Paragraph 15 of the Statement on Auditing Standards 115, documents that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control is a strong indicator of a material weakness even if management subsequently corrects the misstatement.

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

The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Academy's accounting records:

- The Academy pays its employees based on a ten month contract. The total amount of the ten month contract is paid over twelve months. This resulted in a liability for the academy for the final two months of pay for the fiscal year ending June 30, 2009. The total amount of the liability was \$119,081. The Academy had not recognized any liability for wages as of the fiscal year end. The Academy also did not account for prior year wages and benefits payable in their financial statement presentation;
- While performing audit procedures on the cash balances of the Academy, it was noted that the bank reconciliations and amounts reported in the financial statements did not agree. An adjustment of \$14,637 to reduce the financial statements' cash was required;
- Rent expenses were reduced by an entry to void a transaction that did not exist. An adjustment was made in the amount of \$6,373 to accrue the amount of rent expense still due and not yet paid;
- The accounts payable balance included invoices incorrectly accrued as well as invoices that were omitted from the balance. Also, several invoices were accrued as accounts payable and no supporting documentation could be provided. The net effect of the inaccuracy was an understatement of accounts payable by \$129,732 at the end of the year;
- The addition of capital assets of \$303,471 could not be verified or supported and resulted in an overstatement of assets;
- Payments made to SERS retirement for the Academy's share of employee benefits were recorded as a reduction of the expense resulting in the expense being understated on the financial statements. This resulted in an adjustment to the financial statements of \$24,116 to accrue the expenses actually made;
- The Academy received additional federal funding greater than the amounts spent and the funds were payable back to ODE. The Academy did not record this liability and it resulted in an understatement and adjustment of \$30,583;
- A portion of the foundation revenue was not recorded properly and an adjustment of \$4,950 was made to reclassify the revenue;
- Non-operating grant revenues were improperly recorded as operating and required reclassification adjustments of \$74,410;

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004 (Continued)

SAS 115 Financial Reporting – Material Weakness (Continued)

- The financial statements did not support actual amounts expended for rental expenses, management fees and professional expenses. The net effect of the mispostings resulted in an understatement of expenses of \$5,098.

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

We recommend the Academy adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Academy and thereby increasing the reliability of the financial data throughout the year.

Official's Response:

The financial records of the Academy must and will be better maintained in the future and the school treasurer and Marcus Garvey Academy school officials will jointly develop strategies for insuring that these situations do not occur again in the future. We will schedule attendance at future Auditor of State workshops and purchase additional financial computer software.

FINDING NUMBER 2009-005

Entity-wide Bank Reconciliation – Material Weakness

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

We noted the Academy does not perform a monthly Academy-wide bank-to-book reconciliation. The only reconciliation completed during the fiscal year is at year-end. As described in the preceding finding, this reconciliation was inaccurate, requiring an audit adjustment to reduce reported cash by \$14,637.

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

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-005 (Continued)

Entity-wide Bank Reconciliation – Material Weakness (Continued)

Official's Response:

We wholeheartedly accept the Auditor of State recommendations for Academy wide bank reconciliation and will direct our School Treasurer to comply on a monthly basis and provide appropriate documents to the Academy's Board and staff leadership.

FINDING NUMBER 2009-006

Development and Implementation of Purchasing Cycle Controls – Material Weakness

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.

Failure to have a formal approval process for purchases may result in unauthorized disbursements and misuse of funds.

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.

In addition, 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.

Official's Response:

We accept the Auditor of State's recommendations. We were aware of our deficiencies and began to institute new policies and procedures relating to school purchases and contracts Academy wide in the 2009-2010 school/fiscal year.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-007

Condition of Accounting Records – Material Noncompliance and Material Weakness

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

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

- The Academy was unable to provide statements or transaction support relating to the line of credit with PNC Bank;
- Form 990 - income tax exempt form was not provided for 2009 from the Academy;
- Sam's Club Discover Credit Card statements for January, March, April, May, and June 2009 were not provided by the client;
- Accounting system produced duplicate checks for the same bank account. Check # 2307 cleared the bank twice, written to separate vendors for different amounts;
- Documentation for all invoices recorded as accounts payable could not be provided;
- Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number were not provided;
- Supporting documentation for non-payroll expenditures for 15 of 118 transactions tested were not provided;
- The Academy was unable to provide a complete listing of 1099 forms for the period under audit;
- The financial report for fiscal year ending June 30, 2009 was not provided for audit until 2011 and several client revisions to the report were subsequently submitted;
- The amounts reported in the statements provided for audit did not tie to underlying financial records and were incomplete;
- Financial records did not account for prior year balance sheet items and therefore the records at the beginning of the year did not match the prior year amounts; and
- Intergovernmental Receivables and Payables were not disclosed in the financial statements.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-007 (Continued)

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

During our testing of payroll disbursements, we noted the following:

- The Academy could not produce a contract for one employee in fiscal year 2009;
- The Academy could not produce 941 Forms for 2009;
- The Academy did not accrue a liability for wages and benefits earned and not yet paid to employees at year end;
- The Academy did not maintain Tax Withholding documentation for three employees in their employee master file; and
- The Academy did not maintain Retirement System documentation for six employees in their employee master file.

Management failed to provide supporting documentation, consequently we were unable to analyze, review, inspect for completeness, verify the accuracy of, or determine the existence of the Academy's financial records.

Failure to implement and maintain a system of controls over the Academy's financial records increases the chances of misstatement or fraud.

Official's Response:

We accept the Auditor of State's recommendations. We were aware of some deficiencies and did institute some new accounting and reporting policies and procedures relating to school finances. The Board will be asking the School Treasurer to develop and implement a corrective action plan immediately to address and eliminate this major problem.

FINDING NUMBER 2009-008

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

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

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

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

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

FINDING NUMBER 2009-008 (Continued)

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

Some effective monitoring practices include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

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

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

Official's Response:

The Academy will develop a more effective monitoring system that will ensure that our financial and operational objectives are being met. The expanded monitoring system could include the items listed above:

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-009

Capital Assets – Material Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02 (D)(4)(c) states that all local public offices should maintain or provide capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Furthermore, the Academy's Capital Asset Policy states, in part, that the Academy will "maintain a comprehensive fixed assets program requiring periodic inventory of district assets". Further, the policy states, "The school board will be provided an annual report identifying equipment identifying equipment not accounted for. This equipment will be removed from district property records through school board action annually."

The Academy did not make available capital asset records to support the amounts recorded on the financial statements. For this reason we were unable to determine if the following records had been developed and updated:

- A capital asset accounting system, which was comprised of a complete capital asset listing by location, with tag or other identification numbers and other pertinent information;
- Procedures to record assets as additions when purchased and deletions when disposed of during the year;
- Annual depreciation expense and accumulated depreciation;
- A listing of capital assets purchased with federal funds to ensure that items purchased with federal funds are used for that specific purpose; and
- Invoices and supporting documentation.

Without maintaining accurate and complete records of capital assets purchased it is possible the Academy could misplace assets or assets could be stolen and not be reported.

To maintain adequate safeguards over capital assets and to reduce the risk that the Academy's assets may be misstated, we recommend management develop and implement procedures to be performed throughout the year for the recording and updating of capital assets, including an individual listing of items purchased with federal funds. These procedures should include tagging all capital assets meeting the established capitalization threshold. Further, addition and disposal forms should be completed and approved by management when assets are acquired and retired. This information should then be entered into the capital asset accounting system and include such information as the tag number, location of the asset, description of the item, cost, acquisition date, and any other pertinent information. Periodic physical inventories should be performed, and the capital assets listed on the accounting system should be compared to the items on hand and any discrepancies should be investigated.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

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

FINDING NUMBER 2009-009 (Continued)

Capital Assets – Material Noncompliance and Material Weakness (Continued)

Official’s Response:

We have not heretofore maintained a capital asset management inventory or policy. However, in fiscal year 2011, our Treasurer recommended that we hire a firm to conduct the capital asset inventory and tag all school property. We promptly complied and have that inventory report on file at the Academy.

FINDING NUMBER 2009-010

Federal Food Service Assistance – Material Noncompliance and Material Weakness

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

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

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

During the audit period, the Academy did not maintain consistent attendance records. Due to this, we could not determined if the amount of meals purchased from Kiddie Katering, Inc. and B&M Catering, the School’s food vendor, was reasonable based on the number of students in attendance each day. The Academy received the following federal funds used to pay for student meals:

Programs:	Amount
School Breakfast, CFDA 10.553	\$37,194
National School Lunch, CFDA 10.555	58,182
Total	\$95,376

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

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

FINDING NUMBER 2009-010 (Continued)

**Federal Food Service Assistance – Material Noncompliance and Material Weakness
(Continued)**

Had this been a Federal Single Audit the amounts mentioned above could have been questioned costs.

Official’s Response:

We did not maintain records for FY2009. However, as soon as we became aware that we had to, we began documenting everything that was required. Our FY 2010 and FY 2011 audits will show substantial improvement in this area.

FINDING NUMBER 2009-011

Federal Money – Material Noncompliance and Material Weakness

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

In fiscal year 2009, the grant funds below were forwarded to the Academy. The Academy, however, failed to provide invoices to the school to support any of the grant expenditures:

Programs:	Amount
Title I Disadvantaged Children Targeted Assistance, CFDA 84.010	\$100,404
School Improvement Grants, CFDA 84.377	60,0000
Special Education Cluster Grants To States (IDEA, Part B), CFDA 84.027	<u>8,750</u>
Total	<u>\$169,154</u>

Education Management Information System (EMIS) allows ODE to provide the different levels of government with data required to determine funding, such as the percentage of Highly Qualified Teachers, Special Educations information, and other data used to determine federal funding. The School also did not maintain student attendance record. As a result, we could not determine how many students attended school and if they were entitled to this funding.

Had this been a federal Single Audit, the amounts mentioned above could have been questioned costs.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-011 (Continued)

Federal Money – Material Noncompliance and Material Weakness (Continued)

Official’s Response:

It is standard practice to provide a Federal Expenditure Report (FER) that documents and outlines how all Federal grant funds were expended during the grant period to the Ohio Dept. of Education (ODE) and not to the school. Unless this FER form is approved by the ODE, Office of Grants Management each year, funding for the next year is not awarded. The approval of our FER for 2007 would support that the expenditures were proper.

Finally, when funds for these Federal grants were expended with outside vendors, contracts were in the files to document same.

Auditor’s Response:

Adequate supporting documentation was not provided to determine proper public purpose.

FINDING NUMBER 2009-012

Related Parties – Material Noncompliance

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

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

The following issues were noted during our engagement:

- Alexandria Boone, Founder and Developer of the Academy, owns Aries Transportation Company. During the fiscal year, the Academy made payments totaling \$4,594 to Aries Transportation Company for rental of vans, maintenance and drivers.
- Alexandria Boone, Founder and Developer of the Academy, owns GAP Communications Group. During the fiscal year, the Academy made payments totaling \$7,000 to Alexandria for public relations, marketing services and administrative office services through GAP Communications Group.

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

These matters will be referred to the Ohio Ethics Commission.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-012 (Continued)

Related Parties – Material Noncompliance (Continued)

Official's Response:

The Board of Directors of Marcus Garvey Academy was fully aware of Ms. Boone's interest in both of these companies. At the time, this information was fully disclosed as required by law so they felt there was no wrongdoing. Ms. Boone was an employee, not a board member or public official, at the time and therefore did not vote on either of these actions.

In addition, MGA had no credit, no one else was willing to purchase vans for the school's use so Ms. Boone did so and leased the vans back to the school.

The Board determined that GAP Communications Group and Aries Transportation Services both provided quality services at a fair price.

The Board adopted an official conflict of interest policy and passed several resolutions in December 2007 to acknowledge Ms. Boone's business relationships with the school. These resolutions are included in Board minutes for the 2007-2008 school/fiscal year.

FINDING NUMBER 2009-013

Fiscal Officer Designation and Bonding Requirement – Material Noncompliance

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.

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.

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 and that the individual is adequately bonded.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-013 (Continued)

**Fiscal Officer Designation and Bonding Requirement – Material Noncompliance
(Continued)**

Official's Response:

Our School Treasurer, Edward S. Dudley, is currently bonded and licensed.

FINDING NUMBER 2009-014

Filing of Annual Financial Report – Material Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The report shall be certified by the proper officer or Board and filed with the Auditor of State within one hundred fifty days of the end of the fiscal year if GAAP statements are filed. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part this report shall contain the following:

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

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

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

The Academy did not file the June 30, 2009 financial report, which was required to be filed no later than November 30, 2009. This resulted in the maximum fine of \$750 being billed to the Academy for noncompliance with the requirement.

**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-014 (Continued)

Filing of Annual Financial Report – Material Noncompliance (Continued)

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

We recommend the Academy organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy will be assessed a late filing penalty which is an inappropriate use of school funds.

We also recommend at the time the report is filed with the Auditor of State, the Academy, except as otherwise provided in section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the Academy's central office.

Official's Response:

The Academy will not incur any more fines for failure to timely file Annual Financial Reports and will develop a system to remind the Treasurer to do so on the appropriate dates.

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**MARCUS GARVEY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:</u>
2008-001	Finding for Recovery – Board Stipends	Yes	
2008-002	Finding for Recovery – Unsupported Credit Card Payments	No	Reissued as 2009-001
2008-003	Finding for Recovery – Unsupported Checks	No	Reissued as 2009-002
2008-004	SAS 115 Financial Reporting	No	Reissued as 2009-004
2008-005	Entity-wide Bank Reconciliation	No	Reissued as 2009-005
2008-006	Books, Records of Accounts, and Minutes	Yes	
2008-007	Development and Implementation of Purchasing Cycle Controls	No	Reissued as 2009-006
2008-008	Condition of Accounting Records	No	Reissued as 2009-007
2008-009	Developing and Implementing an Effective Monitoring System	No	Reissued as 2009-008
2008-010	Capital Assets	No	Reissued as 2009-009
2008-011	Federal Food Service Assistance	No	Reissued as 2009-010
2008-012	Federal Money	No	Reissued as 2009-011
2008-013	Related Parties	No	Reissued as 2009-012
2008-014	Fiscal Officer Designation and Bonding Requirement	No	Reissued as 2009-013
2008-015	Filing of Annual Financial Report	No	Reissued as 2009-014

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Directors:

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

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

We noted the Board has not adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666(B).

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 17, 2011

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.auditor.state.oh.us

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Dave Yost • Auditor of State

MARCUS GARVEY ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 14, 2011**