



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

March 31, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST
Auditor of State

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**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Richard Allen Academy II Community School
Montgomery County
368 South Patterson Blvd
Dayton, Ohio 45402

To the Governing Board:

We were engaged to audit the financial statements of the Richard Allen Academy II Community School, Montgomery County, (the Academy), as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Academy's management.

The Academy did not provide adequate documentation to support the amounts reported as accounts payable, cash and expenditures in the financial statements for the year ended June 30, 2009.

The financial statements excluded restricted net assets and revenue collected as fees and related expenditures by the school for latchkey, Saturday school, book and materials fees. We cannot reasonably determine the amount by which this departure would increase the amounts reported for revenues, expenditures, and restricted net assets.

Since the Academy did not provide the evidence described in the second and third paragraphs above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements

On July 26, 2010, the Auditor of State initiated a special audit regarding expenditures of the Academy. The results are currently undeterminable and because of the uncertainty in determining the amount or likelihood of recovery, the accompanying financial statements do not report an asset for this contingency.

The Academy has incurred an operating loss of \$584,991, and an accumulated deficit of \$506,973. Management's plans in regard to these matters are also described in Note 15.

Ohio Rev. Code Section 3314.02.4 requires the Academy to disclose nature and costs of the services its management company provided to it. Note 10 discloses these costs; however, the note discloses these costs by functional rather than object classification and does not disclose indirect or overhead amounts the management company allocated to the School. While generally accepted accounting principles do not require this information, the Auditor of State believes it is important to better understand the nature and costs of services the management company provides.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our engagement of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance

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

Mary Taylor, CPA
Auditor of State

January 4, 2011

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

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

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

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- Total net assets decreased by \$196,546 in fiscal year 2009, which increased the accumulated deficit to \$506,973 at June 30, 2009.
- Total assets decreased by \$99,616 which represents a 25.6 percent decrease from the prior year, primarily due to decrease in cash and current year depreciation, partly offset by increase in accounts receivable. Total liabilities increased by \$96,930 due primarily to increases in vendor accounts payable, accrued labor, payroll requirement due, and contractual obligation related to the cooperative educational contract with Richard Allen Preparatory Academy and Richard Allen Academy I, partially offset by a decrease in intergovernmental payable and capital lease payable.
- Operating loss for fiscal year 2009 was \$584,992, which was partially offset by net non-operating revenues/expenses of \$388,446, resulting in a net change of (\$196,546) in net assets.

Using this Financial Report

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

Statement of Net Assets

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

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the capital asset needs and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for fiscal year 2009 compared with fiscal year 2008.

Table 1: Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets:			
Current assets	228,287	294,578	(66,291)
Capital assets, net	53,440	86,765	(33,325)
Other non-current assets	8,000	8,000	-
Total Assets	<u>289,727</u>	<u>389,343</u>	<u>(99,616)</u>
Liabilities:			
Current liabilities	796,700	687,562	109,138
Non-current liabilities	-	12,208	(12,208)
Total Liabilities	<u>796,700</u>	<u>699,770</u>	<u>96,930</u>
Net Assets:			
Invested in capital assets	32,275	51,050	(18,775)
Unrestricted	<u>(539,248)</u>	<u>(361,477)</u>	<u>(177,771)</u>
Total Net Assets	<u>(506,973)</u>	<u>(310,427)</u>	<u>(196,546)</u>

As noted in Table 1 above, total net assets of the School decreased by \$196,546 during fiscal year 2009 resulting in an accumulated deficit of \$506,973 at June 30, 2009, \$310,427 of which was prior year ending balance carried forward.

Total assets of the School decreased by \$99,616 or 25.6 percent; this was the net result of decrease in current assets plus current year depreciation. Cash on hand decreased by \$60,741 compared to the prior year as cash disbursements exceeded cash receipts. Net capital assets decreased by \$33,325 due primarily to current year depreciation expense.

Total liabilities reported by the School at June 30, 2009 increased by \$96,930 due primarily to increased vendor accounts payable, accrued labor, payroll requirements due, and contractual obligation related to the cooperative educational contract with Richard Allen Preparatory Academy and Richard Allen Academy.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2009, as well as revenue and expense comparisons to fiscal year 2008.

Table 2:
Change in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Operating Revenues			
Foundation payments	3,250,658	3,097,554	153,104
Miscellaneous revenue	183,003	63,305	119,698
Non-operating revenues			
State and federal grants	449,051	300,823	148,228
Other		31	(31)
Total Revenues	<u>3,882,712</u>	<u>3,461,713</u>	<u>420,999</u>
Operating Expenses			
Contractual employees	2,382,089	1,939,073	443,016
Purchased services	1,397,068	1,192,518	204,550
Supplies and materials	105,933	121,145	(15,212)
Depreciation	39,725	69,474	(29,749)
Other	93,839	33,321	60,518
Non-operating Expenses			
Interest and fiscal charges	966	2,300	(1,334)
Contractual agreement expense	59,638	101,720	(42,082)
Total Expenses	<u>4,079,258</u>	<u>3,459,551</u>	<u>619,707</u>
Change in net assets	(196,546)	2,162	(198,708)
Beginning net assets	<u>(310,427)</u>	<u>(312,589)</u>	<u>2,162</u>
Ending net assets	<u><u>(506,973)</u></u>	<u><u>(310,427)</u></u>	<u><u>(196,546)</u></u>

Total revenues of the School increased by \$420,999, or 12.2 percent, over the total revenues reported for the prior year. Revenue received through the state foundation program increased by \$153,104 over the amount received in the prior year, due primarily to a small increase in enrollment. Federal and state grant revenues also increased by \$148,228 over the revenues reported for fiscal year 2008. Revenues from other funding sources also increased compared to prior year.

Total expenses of the School reported for the fiscal year were \$619,707 or 17.9 percent higher than those reported for the previous fiscal year. The increase in total expenses was primarily due to higher expenses associated with contract labor and purchased services, which were partially offset by decrease in materials and supplies expense and current year depreciation.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Capital Assets

At June 30, 2009 the capital assets of the School consisted of \$599,539 of leasehold improvements, equipment and vehicles which were offset by \$546,099 in accumulated depreciation resulting in net capital assets of \$53,440. During the year the School added \$6,400 of additional leasehold improvements. Current year depreciation was \$39,725.

See note 7 to the basic financial statements for additional information on the School's capital assets.

Debt

At June 30, 2009, the debt obligations of the School consisted of capital leases payable totaling \$21,165, due within one year. Capital leases reported at year end include lease obligations for the purchase of two school buses. At year-end, the School had \$12,500 of notes payable outstanding related to an operating loan received in a prior year.

Additional information related to the School's debt obligations can be found in notes 5 and 12 to the basic financial statements.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Richard Allen Academy II Community School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to: Richard Allen Academy II Community School, 368 South Patterson Blvd, Dayton, OH 45402.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Statement of Net Assets

June 30, 2009

Assets

Current assets:

Cash and cash equivalents \$ 139,512

Receivables:

Accounts receivable 88,775

Total current assets 228,287

Noncurrent assets:

Security Deposits 8,000

Capital assets (net of accumulated depreciation) 53,440

Total assets 289,727

Liabilities

Current liabilities:

Accounts Payable 254,339

Payroll Requirement-Due 47,975

Accrued contract labor 118,515

Contractual amount payable 318,677

Intergovernmental payable 23,529

Notes Payable 12,500

Lease Payable-Capital 21,165

Total current liabilities 796,700

Net Assets

Invested in capital assets, net of related debt 32,275

Unrestricted (539,249)

Total net assets \$ (506,973)

See accompanying notes to the basic financial statements

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2009

<u>Operating revenues:</u>	
Foundation payments	\$ 3,250,658
Miscellaneous operating revenue	183,003
Total operating revenues	<u>3,433,661</u>
 <u>Operating expenses:</u>	
Salaries and Wages	2,175,562
Employee Retirement and Insurance Benefits	206,526
Purchased Services	1,397,068
Supplies and Materials	105,933
Other purchased services	93,839
Depreciation	39,725
Total operating expenses	<u>4,018,653</u>
Operating loss	<u>(584,991)</u>
 <u>Non-operating revenues (expenses):</u>	
Federal Grants	435,350
State Grants	13,700
Contractual obligation	(59,639)
Interest Expense	(966)
Total non-operating revenues	<u>388,445</u>
 Change in net assets	 (196,546)
 Net assets at beginning of year	 (310,427)
 Net assets at end of year	 \$ <u>(506,973)</u>

See accompanying notes to the basic financial statements

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

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

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

Cash from State of Ohio	\$ 3,164,322
Cash payments to suppliers for goods and services	(1,529,830)
Cash payments to employees for services and benefits	(2,312,652)
Other operating revenue	173,055
Net cash used for operating activities	<u>(505,105)</u>

Cash flows from noncapital financing activities:

Federal and state subsidies	466,280
Net cash provided by noncapital financing activities	<u>466,280</u>

Cash flows from capital and related financing activities:

Cash payments for capital acquisitions	(6,400)
Principal paid on capital lease	(14,550)
Interest paid on capital lease	(966)
Net cash used for capital and related financing activities	<u>(21,916)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (60,741)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 200,253

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ 139,512**

**Reconciliation of operating loss to net cash used for
for operating activities**

Operating loss	\$ (584,991)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	39,725
Changes in assets and liabilities:	
Increase in accounts receivable	(11,680)
Increase in accounts payable	58,130
Increase in payroll requirement-due	47,484
Increase in accrued contract labor	30,306
Decrease in intergovernmental payable	(84,079)
Total Adjustments	<u>79,886</u>
Net cash used for operating activities	\$ <u><u>(505,105)</u></u>

See accompanying notes to the basic financial statements

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

1. Description of the School and Reporting Entity:

Richard Allen Academy II Community School (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with the Institute of Management and Resources, Inc. (IMR) for a variety of services including management consulting, Ohio Department of Education consulting, Education Management Information System (EMIS) monitoring and consulting, technology and operational support, teacher training, supervision of certified and non-certified personnel and assistance in grant applications. In addition, all employees of the School are IMR employees and are subsequently contracted to the School. The School is responsible for reimbursing IMR for the payroll and benefits of the employees assigned to the School. (See note 10 for additional detail on the contractual relationship between IMR and the School).

The School entered into a Sponsor Contract with Kids Count of Dayton, Inc. on December 15, 2006 covering the period through June 30, 2009. The contract was renewed for a period covering July 1, 2009 through June 30, 2011.

The School operates under a self-appointing eight-member Board of Trustees (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School's enrollment for 2009 was 493 students, a 6 percent increase over the prior year.

2. Summary of Significant Accounting Policies:

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

A. Basis of presentation

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

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities is defined as net assets. Net assets are segregated into three categories: 1) net assets invested in capital assets, 2) restricted net assets, and 3) unrestricted net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., 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 relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on a semi-annual basis.

Cash

All monies received by the School are maintained in demand deposit accounts. For internal accounting purposes, the School segregates its cash into separate funds.

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.

Capital assets and depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation is computed using the straight-line method over estimated useful lives of four to thirty-nine years for leasehold improvements and five to seven years for equipment and vehicles. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

Intergovernmental revenues

The School currently participates in the State Foundation Program and the State Parity Aid Program. These programs are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include foundation payments received from the State of Ohio miscellaneous revenue. Operating expenses are necessary costs incurred to support the School's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various state and federal grants, interest expense, and the contractual agreement obligation comprise the non-operating revenues and expenses of the School.

Accrued liabilities payable

The School has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2009, including:

Accrued contract labor payable – salary reimbursements to IMR made after year-end which were for services employees rendered in fiscal year 2009. Teaching personnel are paid in 24 equal installments, ending with the last pay period in July, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2009 for all salary payments made to teaching personnel during the month of July 2009.

Intergovernmental payable – amounts owed to other governmental entities, including payment for the employer's share of the retirement contribution and other related payroll taxes, associated with services rendered during fiscal year 2009, but were not paid until the subsequent fiscal year. This also includes the Ohio Department of Education foundation adjustment related to actual fiscal year 2009 enrollment.

Payroll Requirement Payable – amounts owed to IMR at year-end for contractual labor and instructional and allocated management personnel, for pay period ending before year-end which the School did not have enough cash available to make payment.

Federal tax exemption status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

K. 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 less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

3. Deposits and Investments:

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School's deposits was \$139,512 and the bank balance was \$108,211. The entire bank balance was covered by federal depository insurance and therefore not considered to be subject to custodial credit risk.

4. Receivables:

Accounts receivable is composed of various items that are due to the School. Accounts receivable at June 30, 2009 were \$88,775.

5. Capital Leases Payable:

The School acquired two buses through capital lease agreements in prior years. The terms of the agreements provides an option to purchase the vehicles. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one, which transfers benefits and risks of ownership to the lessee. The capital assets acquired by leases have been capitalized as vehicles in the amount of \$111,100, which is equal to the present value of the minimum lease payments at the time of acquisition. At the time of acquisition, a corresponding liability was recorded. Principal payments on these lease agreements during fiscal year 2009 totaled \$16,078.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2009.

<u>Fiscal Year</u>	<u>Lease Payments</u>
2010	<u>21,795</u>
Total Minimum Lease Payments	21,795
Less: Amount Representing Interest	<u>(630)</u>
Present Value of Minimum Lease Payments	<u><u>21,165</u></u>

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

6. Risk Management:

Property and liability – The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School contracted with the Indiana Insurance Company for business personal property, director and officer liability and general liability insurance. Business personal property coverage carries a \$1,000 deductible and has a \$1,550,000 blanket business income limit. Director and officer liability coverage is set at \$1,000,000, total loss. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Indiana Insurance Company also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate. Business auto coverage is provided by through Indiana Insurance Company carrying a \$1,000 deductible and \$1,000,000 limit.

There has been no significant reduction in coverage in relation to the prior fiscal year. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Employee insurance benefits – As part of the management agreement with the IMR (see note 10), insurance benefits are paid by the Institute and reimbursed monthly by the School.

7. Capital Assets:

A summary of the School's capital assets at June 30, 2009, follows:

<u>Depreciable Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	332,678	6,400	-	339,078
Equipment	149,361	-	-	149,361
Vehicles	111,100	-	-	111,100
Total	593,139	6,400	-	599,539
Less: accumulated depreciation	(506,374)	(39,725)	-	(546,099)
Capital assets, net	<u>86,765</u>	<u>(33,325)</u>	<u>-</u>	<u>53,440</u>

8. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Media and Financial Reports.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate, the current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2009, 2008, and 2007 were \$13,910, \$9,784, and \$5,712 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, and multiple-employer public retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by contacting STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting 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 a 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% 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. 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.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

Funding Policy – For the fiscal year ended June 30, 2009, plan members were required to contribute the statutory maximum of 10.0 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 rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2009, 2008, and 2007 were \$170,658, \$196,704, and \$210,667 respectively; which were equal to the required contributions for each year.

9. Post employment Benefits

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined post-employment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefits provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Media and Financial Reports.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$6,366, \$2,921, and \$1,776 respectively; which were equal to the required contributions for each year.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,148, \$461, and \$269 respectively; which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description – The School 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 participate 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.

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 School's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,127, \$14,050, and \$16,205 respectively; which were equal to the required contributions for each year.

10. Management Company Agreements:

Effective September 1, 2006, the School entered into an agreement with the Institute of Management and Resources, Inc. (IMR), a non-profit corporation, to provide management services. The agreement with IMR includes a termination date of June 30, 2015.

The Management Agreement provides that IMR will perform functions reasonably required to manage the operation of the School; ensure students receive services which are in accordance with applicable educational standards; make every effort to ensure the School complies with the requirements of any applicable statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction; acquire all necessary licenses and permits; maintain all student and financial records required by federal, state and local laws and regulations, as well as, protecting the confidentiality of those records; act as the School's agent in making deposits and disbursements promptly; provide for all expenses of operating the School, including lease payments for the school building, equipment and operating supplies needed in the operation of the School, from its management fee. IMR is responsible for hiring qualified teachers and all other employees which are subsequently contracted to operate the School. The School reimburses IMR every pay-period for the gross payroll expense of the contract employees working at the School and monthly for the related cost of the benefits offered to these employees. For fiscal year 2009, the expenses related to contractual employees totaled \$ 2,382,088; \$ 2,175,562 for payroll and \$ 206,526 for benefits, respectively.

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

IMR receives a monthly management fee of 10% of the total operating revenues of the School from all sources excluding extraordinary items. IMR charges the School for any expenses it incurs on behalf of the School in order to provide District wide services. These expenses may include but are not limited to District wide management services provided by IMR employees in the area of instruction, transportation, financial, and general business management and development, as well as, district wide purchase of textbooks and supplies. During fiscal year 2009, the School reported expenses totaling \$536,180 for professional, accounting and legal, management and other services to its management companies.

The table below shows the management company expenses for fiscal year 2009.

Contract employees - salaries	2,175,562
Contract employees - benefits	206,526
Fees and services	536,180
	<u>2,918,268</u>

The administration expenses incurred by IMR are allocated to the four different Richard Allen Schools under its control. These expenses are allocated to the individual school based on the student enrollment at each school to the total enrollment of all the schools.

11. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Discrepancies are adjusted in subsequent fiscal year funding.

C. Litigation

There are no pending litigations that would impact the financial status of the school.

12. Notes Payable

In fiscal year 2007, the School received two loans for operating purposes from the Institute of Management and Resources totaling \$12,500. These notes were originally required to be repaid from operating revenue by December 31, 2007 unless extended by the two parties. The repayment of the notes has subsequently been extended until payment is required by IMR or by December 31, 2009. The loans do not contain any provision for interest. A summary of the School's short-term debt obligations for the year is as follows:

RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL

Notes to the Basic Financial Statements

June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Operating Loan - IMR	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>

13. Operating Leases:

The School leases its facilities from St. Joseph Catholic Church under an original three-year lease agreement beginning July 1, 2002 through June 30, 2005. The period of the lease was subsequently amended to cover the period of July 1, 2005 through June 30, 2010. The monthly lease payments during fiscal year 2009 were \$11,042. In addition, the School leases certain educational space from J&A Educational Properties for a monthly lease payment of \$1,500. The period of the lease is July 1, 2006 to June 2011.

Total rent paid by the School for fiscal year 2009 in connection with both leases totaled \$149,001.

14. Purchased Services:

During the fiscal year ended June 30, 2009, other purchased service expenses for services rendered by various vendors totaled \$954,727.

15. Management's Plan Regarding Accumulated Deficit

As shown in the accompanying financial statements, the School had an accumulated deficit of \$506,973 as of June 30, 2009, of which beginning accumulated deficit balance is \$310,427.

Management has taken steps towards increasing student enrollment and containing costs, which would provide additional State funding and reduce expenses respectively, enabling the School to return to financial stability.

16. Related Parties:

The Board, Chief Executive Officer, and the Treasurer and Chief Fiscal Officer of Richard Allen II Community School serve in the same capacity for Richard Allen Academy Community School, Richard Allen Academy Preparatory Community School, and Richard Allen Academy III Community Schools, all of which are managed by the Institute of Management and Resources, Inc. (IMR). IMR receives 10 percent of the School's state funding as a management company fee. See Note 10.

The Institute of Charter School Management Resources, Inc.(ICSMR), a corporation wholly owned by the Chief Executive Officer of the School, provides and bills for consulting services to IMR, the management company for the School. The cost of the services provided to IMR by ICSMR is allocated to the School, as well as the other Richard Allen schools.

17. Subsequent Event:

On July 26, 2010, the Auditor of State initiated a special audit regarding expenditures of the school. The results are currently undeterminable and because of the uncertainty in determining the amount or likelihood of recovery, the accompanying financial statements do not report an asset for this contingency.

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Mary Taylor, CPA

Auditor of State

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

Richard Allen Academy II Community School
Montgomery County
368 South Patterson Blvd
Dayton, Ohio 45402

To the Governing Board:

We were engaged to audit the financial statements of the Richard Allen Academy II Community School, Montgomery County, (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated January 4, 2011. Our report indicated that because we did not obtain documentation to support the amounts reported for expenditures, accounts payable, cash, restricted net assets, fee revenues and related expenditures, we did not express an opinion on the financial statements. We also noted that the Academy has an accumulated deficit of \$506,973 as of June 30, 2009, failed to disclose the nature and costs of the services its management company provided to it and that the Auditor of State has initiated a special audit.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider findings 2009-019 through 2009-027 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

**Internal Control Over Financial Reporting
(Continued)**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2009-019 through 2009-025 are also material weaknesses.

We noted certain matters that we reported to the Academy's management in a separate letter dated January 4, 2011.

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 engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-019.

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated January 4, 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 the audit committee, management, the Governing Board, and the Community School's sponsor. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 4, 2011

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

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

FINDING NUMBER 2009-001

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members were the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Dixie Allen was compensated in the amount of \$1,200 during the audit period to attend three board meetings for four academies (3 meetings X 4 Schools X \$100 = \$1,200). Pursuant to Ohio Rev. Code Section 3314.025, her compensation was limited to \$300. The \$900 that was overpaid to Ms. Allen should be allocated equally to the four Academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Dixie Allen, and in favor of Richard Allen Academy II Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3356	\$100	Jeanette Harris and Gayle Simmons	\$25	\$75
3523	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3749	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

**FINDING NUMBER 2009-001
(Continued)**

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$225, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland, in the amount of \$75, and Steven Johnson in the amount of \$150, and in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland, and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Dixie Allen.

Officials Response:

See page 49.

FINDING NUMBER 2009-002

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

In addition, Mr. Persons was reimbursed for direct travel costs related to Board meeting attendance in an amount of \$431. The reimbursement was not approved by the governing authority, and the academy has no board approved policy regarding reimbursement for travel expenses to Governing Authority members.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Gary Persons was compensated in the amount of \$1,600 during the audit period to attend four board meetings for four Academies (4 meetings X 4 schools X \$100 = \$1,600). Pursuant to Ohio Rev. Code Section 3314.025, his compensation was limited to \$400. The \$1,200 that was overpaid to Mr. Persons should be allocated equally to the four academies in the amount \$300 (\$1,200/4 Academies = \$300). In addition, the Board Member was reimbursed for other costs related to Board meeting attendance in an amount of \$100 on 5/5/2009 with check #3886.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Gary Persons, and in favor of Richard Allen Academy II Community School, in the amount of \$831.

**FINDING NUMBER 2009-002
 (Continued)**

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3358	\$100	Jeanette Harris and Gayle Simmons	\$25	\$ 75
3403	\$125	Jeanette Harris and Gayle Simmons	\$ 0	\$125
3648	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3751	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3883	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3886	\$100	Jeanette Harris and Steven Johnson	\$ 0	\$100
3618	\$102	Jeanette Harris and Steven Johnson	\$ 0	\$102
3716	\$119	Jeanette Harris and Steven Johnson	\$ 0	\$119
3983	\$ 85	Jeanette Harris and Steven Johnson	\$ 0	\$ 85

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$831, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland in the amount of \$200, and Steven Johnson in the amount of \$631, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Gary Persons.

Officials Response:

See page 49.

FINDING NUMBER 2009-003

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

**FINDING NUMBER 2009-003
 (Continued)**

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Keisha Jordan was compensated in the amount of \$1,600 during the audit period to attend four board meetings for four academies (4 meetings X 4 schools X \$100 = \$1,600). Pursuant to Ohio Rev. Code Section 3314.025, her compensation was limited to \$400. The \$1,200 that was overpaid to Ms. Jordan should be allocated equally to the four academies in the amount of \$300 (\$1,200/4 Academies = \$300).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Keisha Jordan, and in favor of Richard Allen Academy II Community School, in the amount of \$300.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3360	\$100	Jeanette Harris and Gayle Simmons	\$25	\$75
3529	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3752	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3887	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$300, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland in the amount of \$75, and Steven Johnson in the amount of \$225, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Keisha Jordan.

Officials Response:

See page 49.

FINDING NUMBER 2009-004

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Lonnie Norwood was compensated in the amount of \$1,200 during the audit period to attend three board meetings for four academies (3 meetings X 4 schools X \$100 = \$1,200). Pursuant to Ohio Rev. Code Section 3314.025, his compensation was limited to \$300. The \$900 that was overpaid to Mr. Norwood should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Lonnie Norwood, and in favor of Richard Allen Academy II Community School, in the amount of \$225.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3366	\$100	Jeanette Harris and Gayle Simmons	\$25	\$75
3532	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3753	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074: **Ohio Rev. Code Section 9.39**; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$225, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland in the amount of \$75, and Steven Johnson in the amount of \$150, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland, and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Lonnie Norwood.

Officials Response:

See page 49.

FINDING NUMBER 2009-005

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Mia Wortham-Spells was compensated in the amount of \$1,600 during the audit period to attend four board meetings for four academies (4 meetings X 4 schools X \$100 = \$1,600). Pursuant to Ohio Rev. Code Section 3314.025, her compensation was limited to \$400. The \$1,200 that was overpaid to Ms. Wortham-Spells should be allocated equally to the four academies in the amount of \$300 (\$1,200/4 Academies = \$300). In addition, the Board Member was reimbursed for other costs related to Board meeting attendance in an amount of \$100 on 5/5/2009 with check #3890.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Mia Wortham-Spells, and in favor of Richard Allen Academy II Community School, in the amount of \$400.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3384	\$100	Jeanette Harris and Gayle Simmons	\$25	\$ 75
3537	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3754	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3884	\$100	Jeanette Harris and Steven Johnson	\$25	\$ 75
3890	\$100	Jeanette Harris and Steven Johnson	\$ 0	\$100

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

**FINDING NUMBER 2009-005
 (Continued)**

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$400, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland in the amount of \$75, and Steven Johnson in the amount of \$325, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Mia Wortham-Spells.

Officials Response:

See page 50.

FINDING NUMBER 2009-006

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Wanda Mills was compensated in the amount of \$1,600 during the audit period to attend four board meetings for four Academies (4 meetings X 4 Schools X \$100 = \$1,600). Pursuant to Ohio Rev. Code Section 3314.025, her compensation was limited to \$400. The \$1,200 that was overpaid to Ms. Mills should be allocated equally to the four academies in the amount of \$300 (\$1,200/4Academies = \$300).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Wanda Mills, and in favor of Richard Allen Academy II Community School, in the amount of \$300.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3380	\$100	Jeanette Harris and Gayle Simmons	\$25	\$75
3643	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3755	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3892	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

FINDING NUMBER 2009-006
(Continued)

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby jointly and severally, issued against Jeanette Harris in the amount of \$300, Gayle Simmons and her bonding company the Fidelity and Deposit Company of Maryland in the amount of \$75, and Steven Johnson in the amount of \$225, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Gayle Simmons, the Fidelity and Deposit Company of Maryland and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Wanda Mills.

Officials Response:

See page 50.

FINDING NUMBER 2009-007

Finding for Recovery – Board Member Pay – Repaid Under Audit

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Felix O’Aku was compensated in the amount of \$400 during the audit period to attend one board meeting for four academies (1 meeting X 4 academies X \$100 = \$400). Pursuant to Ohio Rev. Code Section 3314.025, his compensation was limited to \$100. The \$300 that was overpaid to Mr. O’Aku should be allocated equally to the four academies in the amount of \$75 (\$300/4 Academies = \$75).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Felix O’Aku, and in favor of Richard Allen Academy II Community School, in the amount of \$75.

**FINDING NUMBER 2009-007
 (Continued)**

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3750	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

This was repaid on February 14, 2011 via personal money order #17752918 totaling \$75, deposited February 15, 2011.

Officials Response:

See page 50.

FINDING NUMBER 2009-008

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Michael McCormick was compensated in the amount of \$400 during the audit period to attend one board meeting for four Academies (1 meeting X 4 schools X \$100 = \$400). Pursuant to Ohio Rev. Code Section 3314.025, his compensation was limited to \$100. The \$300 that was overpaid to Mr. McCormick should be allocated equally to the four academies in the amount of \$75 (\$300/4 Academies = \$75).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Michael McCormick, and in favor of Richard Allen Academy II Community School, in the amount of \$75.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3891	\$100	Jeanette Harris and Steven Johnson	\$25	\$75

FINDING NUMBER 2009-008
(Continued)

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby, jointly and severally, issued against Jeanette Harris and Steven Johnson in the amount of \$75 and in favor of the Richard Allen Academy II Community School. Jeanette Harris and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Michael McCormick.

Officials Response:

See page 50.

FINDING NUMBER 2009-009

Finding for Recovery – Board Member Pay

Ohio Rev. Code Section 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools.

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority passed a motion to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority members were reimbursed for during fiscal year 2009, the four Richard Allen Academy schools held one joint meeting encompassing all four Schools at the same place on the same day. However, the members in attendance at the meetings were reimbursed at a rate of \$100 per meeting attended per school for a total of \$400.

If a joint meeting is held at the same place on the same day encompassing all four Richard Allen Academy Schools, a governing authority member can only be reimbursed the total approved rate of \$100 per meeting attended. The \$100 member reimbursement should be charged and allocated equally to each School in the amount of \$25.

Laquetta Cortner was compensated in the amount of \$400 during the audit period to attend one board meeting for four academies (1 meeting X 4 schools X \$100 = \$400). Pursuant to Ohio Rev. Code Section 3314.025, her compensation was limited to \$100. The \$300 that was overpaid to Ms. Cortner should be allocated equally to the four academies in the amount of \$75 (\$300/4 Academies = \$75). In addition, the Board Member was reimbursed for other costs related to Board meeting attendance in an amount of \$50.

**FINDING NUMBER 2009-009
 (Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Governing Authority Member Laquetta Cortner, and in favor of Richard Allen Academy II Community School, in the amount of \$125.

<u>Check(s)</u>	<u>Amount Paid</u>	<u>Signed by</u>	<u>Allowable</u>	<u>Overpayment</u>
3888	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
3940	\$ 50	Jeanette Harris and Steven Johnson	\$ 0	\$50

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby, jointly and severally, issued against Jeanette Harris and Steven Johnson in the amount of \$125 and in favor of the Richard Allen Academy II Community School. Jeanette Harris and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Laquetta Cortner.

Officials Response:

See page 50.

FINDING NUMBER 2009-010

Finding for Recovery – Heating Project

The Academy paid Roto-Rooter for labor and materials related to updating and replacing a building's heating system. The building was owned by the Academy's management company, the Institute of Charter School Management & Resources, Inc. The management company is owned by Jeanette Harris who is also the CEO of Richard Allen Academy Community Schools. The Academy leased the building from the management company. The lease agreement specifically states that the building owner is responsible for making major repairs. A heating system was installed at a total cost of \$48,000 of which the Academy paid \$16,189.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the Institute of Charter School Management & Resources, Inc., and in favor of Richard Allen Academy II Community School, in the amount of \$16,189.

Checks #3697, 3713, 3789, 3829, and 3996 in the amounts of \$1,686.44, \$1,686.44, \$2,968.53, \$7,020.56 and \$3,367.12 respectively totaling \$16,729.09 for the above purchase and were signed by Jeanette Harris and Steven Johnson. For check 3996, \$539.93 of the total \$3,367.12 was not related to the heating system project.

**FINDING NUMBER 2009-010
(Continued)**

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 was made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. 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. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris and Steven Johnson in the amount of \$16,189 in favor of the Richard Allen Academy II Community School. Jeanette Harris and Steven Johnson shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Institute of Charter School Management & Resources, Inc.

Officials Response:

See page 51.

FINDING NUMBER 2009-011

Finding for Recovery – Unsupported and Improper Expenditures – Repaid Under Audit

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose. Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), states that expenditures made by a governmental unit should serve a public purpose. The Academy's failure to require and maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

The Academy paid Advanta Bank Corp. \$79 for an expenditure charged to a credit card in the name of West Park Academy with check number 3728. This expenditure was related to West Park Academy and was not an obligation of the Academy.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against West Park Academy and in favor of Richard Allen Academy II Community School, in the amount of \$79 (Check #3728).

Check #3728, totaling \$79, was signed by Jeanette Harris and Gayle Simmons.

**FINDING NUMBER 2009-011
(Continued)**

This was repaid on February 4, 2011 via check #3111, and deposited on February 11, 2011 in the amount of \$79.

Officials Response:

See page 51.

FINDING NUMBER 2009-012

Finding for Recovery – Contract Revenue Not Deposited

The Academy contracted with the Montgomery County Department of Job and Family Services to provide summer and after school services. Of the \$64,600 paid on the contract to the Academy during fiscal year 2009, \$27,300 was not booked or deposited by the Academy. This unrecorded and un-deposited revenue was deposited in the bank account of the Academy's management company, Institute of Management & Resources, Inc. despite the fact that the warrant was issued to Richard Allen Academy.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due, but not collected is hereby issued against the Institute of Management & Resources, Inc., and in favor of Richard Allen Academy II Community School, in the amount of \$27,300.

The Academy should deposit and record all revenues that are intended for the benefit of the Academy or received to off-set costs incurred by the Academy.

Officials Response:

See page 51.

FINDING NUMBER 2009-013

Finding for Recovery – Improper Expenditure Repaid Under Audit

Ohio Rev. Code 149.351(A) states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose. Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, states that expenditures made by a governmental unit should serve a public purpose. The Academy's failure to require and maintain adequate support for expenditures could result in a loss of accountability over the Academy's finances, make it difficult to identify errors which could go undetected and possibly result in expenditures that are not for a proper public purpose.

The Academy reimbursed Jeanette Harris \$694 with check #3389 for obligations that were related to the travel of principals of Richard Allen Academy and Richard Allen Academy III Community School. The reimbursement was not approved by the governing authority and the academy has no board approved policy regarding reimbursement of travel expenses to principals.

**FINDING NUMBER 2009-013
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Richard Allen Academy and Richard Allen Academy III Community School, in favor of Richard Allen Academy II Community School, in the amounts of \$298 and \$396, respectively.

Check #3389 in the amount of \$1,645.69 was signed by Jeanette Harris and Gayle Simmons.

This was repaid via check #4497 and #3770 on February 18 and 19, 2011, totaling \$694.

Officials Response:

See page 51.

FINDING NUMBER 2009-014

Finding for Recovery Repaid Under Audit – Employee Reimbursement

The School reimbursed Michael McCormick for various school-related expenditures paid for with personal funds with check #3538 in the amount of \$2,245.76. However, the reimbursement exceeded the calculated reimbursement amount by \$337.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Michael McCormick, and in favor of Richard Allen Academy II Community School, in the amount of \$337.

The finding was repaid to Richard Allen Academy II Community School on May 26, 2010 by the following; The Institute of Charter School Management & Resource, Inc. in the amount of \$136.30 via check #6539, West Park Academy in the amount of \$118.93 via check #3000, and Michael McCormick in the amount of \$81.60 via check #9843.

Officials Response:

No response was received for this finding.

FINDING NUMBER 2009-015

Noncompliance

Ohio Revised Code Section 149.351(A) requires all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law.

The Academy did not provide supporting documentation for 20% of expenditures tested. The documentation lacked individual receipts for the reimbursement of personal credit card purchases that were not produced for audit. Additionally, the Academy did not provide the July and September 2008 bank statements for an account closed in March 2009.

All expenditure support, including credit card receipts as well as bank statements, should be maintained to support that the expenditures were proper and for the benefit of the Academy. The Academy should maintain all records in compliance with an approved records retention schedule.

Officials Response:

See page 51.

FINDING NUMBER 2009-016

Noncompliance

Ohio Rev. Code Section 3314.01(B) states a community school created under this chapter is a public school, independent of any school district, and is part of the state's program of education.

Ohio Rev. Code Section 3314.08(H)(1) states that no community school shall charge tuition for the enrollment of any student.

According to the Academy's 2008-2009 Parent and Student Handbook, it was the Academy's policy to charge any student that was required to attend Saturday School for disciplinary reasons a \$10 fee for each Saturday School attended. This is a form of tuition and not an allowable fee. Review of the Academy's ledgers determined that the amounts collected for these fees were not posted to the Academy's financial statements during fiscal year 2009.

The Academy should not require a student to pay a fee to attend Saturday School due to the fact that this is a form of tuition, which is unallowable. All receipts collected on behalf of the Academy should be returned to the respective students. The Academy should perform a review of all fees charged to determine if any other unallowable fees are being charged to students.

Officials Response:

See page 51.

FINDING NUMBER 2009-017

Noncompliance

Ohio Rev. Code Section 3314.08(B) states the state board of education shall adopt rules requiring both of the following:

- (1) The board of education of each city, exempted village, and local school district to annually report the number of students entitled to attend school in the district who are enrolled in grades one through twelve in a community school established under this chapter, the number of students entitled to attend school in the district who are enrolled in kindergarten in a community school, the number of those kindergartners who are enrolled in all-day kindergarten in their community school, and for each child, the community school in which the child is enrolled.
- (2) The governing authority of each community school established under this chapter to annually report all of the following:
 - (a) The number of students enrolled in grades one through twelve and the number of students enrolled in kindergarten in the school who are not receiving special education and related services pursuant to an IEP.

Richard Allen Academy II Community School entered into contracts to house and provide classroom instruction to the Kindergarten students of the other Richard Allen Academies. The agreement stated that the other Academies would be entitled to 10% of the State of Ohio funding related to the contract students that would be collected by Richard Allen Academy II Community School. However, Ohio Revised Code does not expressly permit a community school to enter into such an agreement.

Funding attributable to the contract students has been directed improperly to Richard Allen Academy II Community School over the life of the contract.

**FINDING NUMBER 2009-017
(Continued)**

The Academy should not continue such an agreement. Any kindergarten student enrolled with the Academy should be reported to the State of Ohio as the Academy's student. The funding attributable to each particular student would then be paid to and remain with the appropriate school.

This matter has been referred to the Ohio Department of Education.

Officials Response:

See page 52.

FINDING NUMBER 2009-018

Noncompliance

Ohio Rev. Code Section 3314.02(E)(2) states no person shall serve on the governing authorities of more than two start-up community schools at the same time. However, all members of the Board of Directors for Richard Allen Academy II Community School were members of the Board of Directors for each of the other three Richard Allen Community Schools.

The Academy should evaluate Board of Directors membership to require that any one individual serve on the Board of not more than two community schools at one time. One member serving on the Board of Directors for all four Richard Allen Community Schools Boards is not allowable.

Officials Response:

See page 52.

FINDING NUMBER 2009-019

Noncompliance/Material Weakness

Ohio Rev. Code Sec. 3314.024 requires community school management companies that receive more than 20 per cent of the annual gross revenues of the school to provide a detailed accounting including the nature and cost of the services it provides to the community school. This information shall be included in the footnotes to the financial statements of the school, and be subject to audit during the course of the regular financial audit of the community school.

Ohio Rev. Code Sec. 3314.03(A)(8) requires the expenditures to be classified by function and object codes, in accordance with Uniform School Accounting System. The footnote should provide a detailed accounting, and as required by Auditor of State Audit Bulletin 2004-009 to differentiate between direct and overhead costs allocated to the community school. The note disclosure in the 2009 financial statements of the Richard Allen Academy did not disclose all expenditures of the management company on behalf of the school, nor was the disclosure classified as required.

Officials Response:

See page 52.

FINDING NUMBER 2009-020

Material Weakness

Bank Reconciliation Monitoring

The Academy's bank reconciliations prepared were misstated and did not include one bank account that was in the Academy's name. Errors were noted in the reconciliation that included items on the outstanding check list throughout the year that were not actually outstanding checks. Adequate monitoring procedures and implementation of controls over the bank reconciliation process can help identify errors associated with the reconciliation process. The errors that existed within the June 30, 2009 reconciliation were transferred to the Academy's financial statements.

Failure to appropriately monitor and perform accurate monthly bank reconciliations could lead to errors on the financial statements and present inaccurate financial information to the board and sponsor. The Academy should develop and implement procedures to perform accurate monthly reconciliations and require review of the reconciliation by independent personnel.

Officials Response:

See page 52.

FINDING NUMBER 2009-021

Material Weakness

Food Service Activity

The Academy operated a food service program and the following was noted:

- Daily lunch collections were deposited into a bank account that was shared by all of the Richard Allen Academy Schools and one private school operated by the management company. The funds were commingled in the account that was in the name of Richard Allen Academy, Edgemont Campus.
- Cash collected from the Academy's food service cash drawer was frequently utilized to make food service-related purchases. These cash expenditures were not booked as expenditures by the Academy; therefore daily revenue was recorded at the net amount rather than the gross collections and expenditures.
- The revenue posting was not always distributed appropriately to the various schools based on the amounts documented on the collection sheets.
- The revenue posting included amounts collected by the West Park Academy, which is a private school that is affiliated with the Richard Allen Academy Schools and shares a building with the Richard Allen Academies.
- Daily lunch summary sheets lacked a reconciliation to determine if the amount collected reconciled to the amount that should have been collected.
- The Academy received federal and state reimbursements for free and reduced breakfast and lunches served. A portion of the reimbursement was provided by the Federal Government and the remaining portion of the reimbursement comes from the State Government. The Academy posted these reimbursements to the line item with daily lunchroom collections in the accounting system. However, they were properly classified as federal and state grant revenues for financial statement purposes.
- The Academy paid \$4,205 in bank fees related to the school lunchroom account during fiscal year 2009.

**FINDING NUMBER 2009-021
(Continued)**

The above weaknesses with the food service operation could result in errors and irregularities occurring and not being detected in a timely manner. The above problems also resulted in misstated financial statements. These weaknesses in the food service process could also have possible implications regarding the Academy's federal and state lunch reimbursement.

The Academy should implement practices and procedures to correct the above problems with the food service operations. Lunch receipts should only be deposited in an account of a specific school and should not be commingled with other academies. All food service purchases should follow standard accounting and internal control practices and cash should never be used to make purchases. Revenue should be posted to the books of the individual school that collected it and collections from West Park Academy should not be commingled with the Academy. In addition, a daily reconciliation should be performed by the Academy to determine if the amount of lunch money collected and deposited is proper.

Officials Response:

See page 52.

FINDING NUMBER 2009-022

Material Weakness

Allocation of Expenditures

Several purchases, contracts, and reimbursements to individuals for business-related expenditures incurred on personal credit cards were allocated equally amongst each of the four Richard Allen Academy Schools. No consideration was given to the fact that some purchases related to a specific Richard Allen School or benefited one school more or less than another school. Richard Allen Academy II Community School paid the majority of the expenses related to the facility at 627 Salem Avenue despite the location housing Kindergarten students of the other schools (Richard Allen Academy, Richard Allen Academy III Community School, and the Richard Allen Preparatory Academy, as well as housing students from West Park Academy private school and the Kids Count sponsor office).

Failure to properly allocate and report expenditures on the Academy's records and financial statements lead to materially misstated expenses and inaccurate information presented to users of the financial statements. Each school is an independent public entity and should only pay the expenses incurred for that particular school.

The Board should adopt a reasonable method of allocating shared costs and document this cost allocation plan in a formally adopted policy.

Officials Response:

See page 53.

FINDING NUMBER 2009-023

Material Weakness

Proper Reporting of Financial Activity

The Academy's Management Company (Institute of Management Resources) contracted with and operated four separate community schools, all of which are under the Richard Allen name. The group of four schools and the management company commingled revenues and expenditures. Receipts and expenditures were comingled among the four schools and sometimes among the management company accounts. The following items indicate the commingling of financial information:

- Each student attending a Richard Allen Academy was required to pay a book and materials fee. However, these collections were not deposited or recorded by the Richard Allen Schools.
- The Richard Allen Academy entered into a contract with the Montgomery County Department of Job and Family Services for TANF services. Of the \$64,600 paid on the contract to the Academy during fiscal year 2009, \$27,300 was deposited by the Management Company.
- The Richard Allen Schools partnered with a local church to provide an after-school program. According to program information, any student participating in the after-school program was required to pay a fee of \$35 for each week of participation payable to the Richard Allen School office. These collections were not deposited or recorded by the Richard Allen Schools.
- The Richard Allen Academy received E-rate revenue that was attributable to the four individual schools. However, this revenue was deposited and recorded by just one school.
- It was policy of the Richard Allen Academy that any student participating in an athletic program must pay an \$85 fee. However, these collections were not deposited or recorded by the Richard Allen Schools.
- The Richard Allen Academy operated a uniform store to allow students to purchase clothing items to meet the School's dress code. However, these collections were not deposited or recorded by the Richard Allen Schools.

Failure to appropriately account for all financial activity of the Academy lead to financial statement errors, an opinion modification and findings for recovery. The Academy should adopt and implement procedures to properly allocate and account for all financial activity.

Officials Response:

See page 53.

FINDING NUMBER 2009-024

Material Weakness

Equity Reporting

The Academy reported all equity on the financial statements either as invested in capital assets, net of related debt or unrestricted net assets. The Academy had financial activity related to state grants, federal grants, and other funds during fiscal year 2009. Any equity in these funds at June 30, 2009 should be reported as restricted net assets. However, the Academy did not prepare an account trial balance or provide any reports or information showing any restricted net assets. Therefore, the amount of restricted net assets could not be determined, if any exists.

Failure to provide equity calculations by individual fund lead to financial statement errors and an opinion modification.

**FINDING NUMBER 2009-024
(Continued)**

The Academy should prepare a trial balance for each individual fund on the Academy's internal accounting system. This would allow for the restricted net assets amount to be calculated appropriately and included on the financial statements.

Officials Response:

See page 53.

FINDING NUMBER 2009-025

Material Weakness

Accounts Payable

The following errors have resulted in a financial statement opinion modification related to the Academy's accounts payable line item:

- The Academy did not provide a check register or other expenditure report showing the specific expenditures charged to each of the four Richard Allen Academies for expenditures made after June 30, 2009. This made it difficult to determine whether the expenditure was charged to the Academy's management company or a different Richard Allen School when performing a search for unrecorded accounts payable.
- The Academy frequently paid invoices months or even more than a year after the invoice date. This made it nearly impossible to make a comprehensive identification of unrecorded accounts payable items.

The Academy should carefully perform and review the accounts payable calculation to ensure that all appropriate liabilities are recorded and to ensure that items that are not a liability at year-end are not included in the calculation. In addition, the Academy should also consider paying invoices and obligations in a timely manner so that a comprehensive search for accounts payable items can be performed by reviewing payments made shortly after year-end.

Officials Response:

See page 53

FINDING NUMBER 2009-026

Significant Deficiency

Contracts

The Academy entered into a contract with the Montgomery County Department of Job and Family Services to provide summer and after school services in the amount \$85,000. The contract was between the Montgomery County Department of Job and Family Services and Richard Allen Academy. The deposited and recorded revenue regarding this contract was recorded and deposited entirely by Richard Allen Academy II Community School. However, there are four separate schools that fall under "Richard Allen Academy" and the contract did not specify which schools were a party to the contract.

Failure to enter into contracts that specifically state which Richard Allen Academy will provide services and receive compensation for such services could lead to confusion as to which school provided the services and should record and deposit the revenue.

**FINDING NUMBER 2009-026
(Continued)**

The Academy should clarify all contracts entered into, regardless of whether the Academy is providing a service or being provided a service. All contracts should be clear as to which school is responsible for the revenues and expenditures generated from a specific contract and the revenues and expenditures should be accounted for accordingly.

Officials Response:

See page 53.

FINDING NUMBER 2009-027

Significant Deficiency

Miscellaneous Revenue

The Academy booked various items as miscellaneous revenue. In total, miscellaneous revenue was overstated by \$167,781. The following items accounted for the overstatement:

- The Academy loaned other Richard Allen Schools \$12,000 during fiscal year 2009. The repayment, which also occurred during fiscal year 2009, was booked as miscellaneous revenue.
- The Academy's lunchroom receipts in the amount of \$27,168 were incorrectly booked as miscellaneous revenue instead of charges for services.
- The Academy entered into a contract with the Montgomery County Job & Family Services for TANF services. However, the recorded receipts of \$37,300 were incorrectly booked as miscellaneous revenue instead of local grant revenue.
- An ODE foundation payment in the amount of \$91,313 was recorded as miscellaneous revenue, however, this revenue was previously recorded as foundation revenue.

Failure to properly record/present all revenue sources could lead to erroneous financial decisions, financial statement errors and audit adjustments.

The Academy should properly record/present all revenue transactions.

Officials Response:

See page 53.

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**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Section 2.6b Management Contract financial statement filing deadline	No	Reported in Management letter under Ohio Rev. Code 117.38
2008-002	Section 3 of Management Contract determination of fee calculation	No	Reported in management letter
2008-003	Reporting of Deficit Cash Balance and cash reconciliation issues	No	Repeated as Findings 2009-020 and 2009-021
2008-004	Inaccurate Financial Statements	No	Repeated as Finding 2009-023
2008-005	Accounting System errors	No	Repeated in management letter
2008-006	Monitoring of Accumulated Deficit	No	Repeated in management letter
2008-007	Finding For Recovery \$77,095	Yes	Repaid
2008-008	SERS STRS delinquency notices	No	Reported in management letter
2008-009	Purchase procedures	No	Repeated as Finding 2009-015 as destruction of records
2008-010	Lack of Board Policies	No	Reported in management letter

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Mary Taylor, CPA

Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Richard Allen Academy II Community School
Montgomery County
368 South Patterson Blvd
Dayton, Ohio 45402

To the Governing Board:

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 Richard Allen Academy II Community School, Montgomery County (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Governing Board adopted an anti-harassment policy at its meeting on January 12, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A procedure for documenting any prohibited incident that is reported;
 - (6) A procedure for responding to and investigating any reported incident;

- (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report; and
- (8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.

We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):

- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident; and
- (2) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 Governing Board and the Academy's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 4, 2011

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**OFFICIALS' RESPONSES TO FINDINGS
JUNE 30, 2009**

FINDING NUMBER 2009-001

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

FINDING NUMBER 2009-002

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$200 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

It is the intent of the Governing Board to reimburse Board members for actual and necessary expenses incurred for attendance at Board meetings and other events related to Board service to the extent allowed by law. Therefore, the Governing Board shall create a travel reimbursement policy and adopt the policy retroactive to July 1, 2008. It is the Board's belief that, upon the adoption of such a policy, the reimbursements to Mr. Persons for travel and other expenses related to Board meeting attendance will become legally permissible expenditures.

AOS Position: No travel reimbursement policy for Governing Board members had been approved and provided for audit.

FINDING NUMBER 2009-003

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

FINDING NUMBER 2009-004

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

FINDING NUMBER 2009-005

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

It is the intent of the Governing Board to reimburse Board members for actual and necessary expenses incurred for attendance at Board meetings and other events related to Board service to the extent allowed by law. Therefore, the Governing Board shall create a travel reimbursement policy and adopt the policy retroactive to July 1, 2008. It is the Board's belief that, upon the adoption of such a policy, the reimbursement to Ms. Wortham-Spells for expenses related to Board meeting attendance will become a legally permissible expenditure of public funds.

FINDING NUMBER 2009-006

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

FINDING NUMBER 2009-007

Officials' Response: Richard Allen Academy II has received and deposited on 02/15/2011 Money Order #17752918 for \$75 dated 02/14/2011 from Mr. O'Aku.

FINDING NUMBER 2009-008

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

FINDING NUMBER 2009-009

Officials' Response: Richard Allen Academy II will ensure that all Board members are compensated for attendance at Board meetings in accordance with R.C. § 3314.025. Richard Allen Academy II will seek repayment of \$75 from Fidelity and Deposit Company of Maryland. The Academy shall seek repayment of the remaining restitution from the Board's Directors & Officers liability insurance carrier. Should the bond and insurance be insufficient or unavailable, the remaining restitution shall be tendered by Mrs. Jeanette Harris.

It is the intent of the Governing Board to reimburse Board members for actual and necessary expenses incurred for attendance at Board meetings and other events related to Board service to the extent allowed by law. Therefore, the Governing Board shall create a travel reimbursement policy and adopt the policy retroactive to July 1, 2008. It is the Board's belief that, upon the adoption of such a policy, the reimbursement to Ms. Cortner for expenses related to Board meeting attendance will become a legally permissible expenditure of public funds.

FINDING NUMBER 2009-010

Officials' Response: Institute of Charter School Management and Resources, Inc. will deposit into the account of Richard Allen Academy the amount of \$16,189 on or before June 30, 2011.

FINDING NUMBER 2009-011

Officials' Response: Richard Allen Academy II, Inc. has received and deposited on 02/11/2011 check #3111 for \$79 dated 02/04/2011 from West Park Academy

FINDING NUMBER 2009-012

Officials' Response: The Academy's contract with Montgomery County DJFS was pursuant to a Request for Proposals issued by the County for an After School and Summer School Readiness Enrichment Services grant. The grant proposal was drafted on behalf of, and ultimately issued to, all four Richard Allen Schools. However, the County DJFS informed the Schools that it was unable to issue separate checks to each of the Richard Allen Schools. Accordingly, the Schools' Governing Board selected Richard Allen Academy II as the school whose Tax Identification Number would be used for the grant and the school to which the checks would be issued.

The Academy admits that, due to an oversight by its former CFO, grant funds in the amount of \$27,300 were mistakenly deposited into the account of the Institute of Management & Resources, Inc. (IMR). However, all of the funds erroneously deposited into IMR's account were expended on teacher salaries and the provision of services pursuant to the grant. The Academy has retained all of the necessary records to support the proper expenditure of the deposited funds, which can be provided upon request. Therefore, while the Board admits that the funds were erroneously deposited into the account of IMR, the Board respectfully disagrees with the assertion that those funds are due the Academy, as the funds were expended for a proper public purpose.

AOS Position: Documentation was not provided for audit.

FINDING NUMBER 2009-013

Officials' Response: Richard Allen Academy II, Inc. has received on 02/18/2011 check #4497 for \$298 dated 02/19/2011 from Richard Allen Academy and check #3770 for \$396 dated 02/18/2011 from Richard Allen Academy III.

FINDING NUMBER 2009-014

Officials' Response: No response was received.

FINDING NUMBER 2009-015

Officials' Response: It is the intent of the Governing Board of Richard Allen Academy II to comply with all federal, state and local laws, rules and regulations. Accordingly, the Governing Board will adopt a formal public records policy, including a records retention policy, in accordance with Chapter 149 of the Ohio Revised Code.

FINDING NUMBER 2009-016

Officials' Response: A corrective action plan was submitted to the Ohio Department of Education by the Academy on June 1, 2010.

FINDING NUMBER 2009-017

Officials' Response: The Governing Board respectfully disagrees with the assertion that the agreement between Richard Allen Academy II and the three other Richard Allen Academies is in violation of the law simply because the law does not expressly provide for this type of agreement. To the contrary, the Board believes that, because Ohio law does not expressly prohibit this type of contract, it is within the discretion of the Governing Board(s) of the entities involved whether or not to enter into this type of arrangement. Nonetheless, the Academy would be happy to discuss the terms and necessity of the agreement with the Department of Education.

AOS Position: The Academy should obtain a legal opinion from their legal counsel regarding this matter.

FINDING NUMBER 2009-018

Officials' Response: It is the intent of the Governing Board to comply with all federal, state and local laws, rules and regulations. Therefore, membership on the Academy's Governing Board will be immediately evaluated to ensure that all board members comply with the limitations on board service contained in R.C. § 3314.02(E)(2).

FINDING NUMBER 2009-019

Officials' Response: The FY09 contract between the management company and the school stated that the management company will receive 10 percent of the school's gross revenues, and consistent with that contract, the management company received only the contractual 10 percent of the school's revenues. The FY09 footnote disclosure and classification for all expenditures of the management company on behalf of the school were complete and consistent with prior year Auditor of State approved audit disclosures and classifications for management fees and expenses.

AOS Position: The management company received more than 10% of revenues and the note was not detailed by object code as required by AOS Bulletin 2004-009.

FINDING NUMBER 2009-020

Officials' Response: Initial bank reconciliations contained outstanding checks that were later discovered to be checks that were voided or that should have been voided because they were never presented to the bank for payment. A corrected bank reconciliation was prepared and timely submitted to the auditors; therefore, there were no errors in the June 2009 reconciliation that could have been transferred to the financial statements. In addition, the school provided summary reports reconciling the general ledger expenses to the check register.

AOS Position: Corrections to errors in reconciliations identified during the audit process were not reflected in revised financial statements presented for audit.

FINDING NUMBER 2009-021

Officials' Response: Management recognized that the accounting for the food service program had some deficiencies that needed to be addressed; after thorough review of the process, an action plan was instituted in two phases to address those deficiencies. Phase one of the action plan began in FY10; lunch receipts are now deposited in individual school bank accounts and reconciled accordingly. The FY09 daily lunch collections were documented and reconciled, and recorded at gross amounts based on the daily lunch collection spreadsheet and reconciliation provided to the auditors.

FINDING NUMBER 2009-022

Officials' Response: Management understands the need to re-evaluate allocation methodology as business needs change. Each school pays only the expense it incurs. Allocation comes into play only in those circumstances when it made better business sense to purchase in bulk in order to save costs through volume discount. It is worth noting the fact that Richard Allen Academy II paid the majority of the expenses related to the Salem facility, indicating that consideration for benefits received was a factor in our allocation process.

FINDING NUMBER 2009-023

Officials' Response: Policies and procedures have been put in place to address the deficiencies noted above. Regarding receipts and expenditures those were reconciled and recorded in the FY09 financial statement.

FINDING NUMBER 2009-024

Officials' Response: Several reports exist on the ODE (Ohio Department of Education) website through which federal funds received and spent could be verified. There are numerous funds, and the idea of repairing a separate trial balance for each fund is administratively impossible, given the school's limited personnel resources. However, all transaction details related to all fund types are complete in the general ledger which was provided to the auditors, and from which the existence or lack thereof of net assets related to any of the funds could have been tested and verified. Between information available on ODE's website, the school's general ledger and trial balance the auditors had more than enough information to determine the amount of net assets if any existed. It is worth noting that what management provided to the auditors were un-audited financial statements on which misclassification of transactions are not uncommon. Management is aware of our responsibility for adjusting the financial statements to correct misstatements the Auditors may detect; no audit adjustments regarding misstatements were communicated to us during the audit.

AOS Position: It was the Academy's responsibility to prepare and disclose these equity amounts.

FINDING NUMBER 2009-025

Officials' Response: The first statement above is false. Communication between state auditors and the Academy will show that the auditors requested FY10 check register and select FY10 transactions support on 4/13/09 and were provided same on 4/14/09. The auditors were also provided detailed listing of aged accounts payable report as well as summary reports. Additionally, the school provided a GAAP conversion spread sheet with supporting documents showing accruals for unrecorded expenses of the period.

AOS Position: The documentation provided by the Academy did not identify the breakdown of the charges to the individual Richard Allen Schools.

FINDING NUMBER 2009-026

Officials' Response: The Board will ensure that all contracts have been reviewed by legal counsel for clarity, accuracy and specificity prior to execution.

FINDING NUMBER 2009-027

Officials' Response: Policies and procedures have been put in place to address the proper classification of transactions.

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Dave Yost • Auditor of State

RICHARD ALLEN ACADEMY II

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**