



Dave Yost • Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets – June 30, 2010 .....	7
Statement of Revenues, Expenses and Changes in Net Assets – For the Fiscal Year ended June 30, 2010 .....	8
Statement of Cash Flows – For the Fiscal Year Ended June 30, 2010.....	9
Notes to the Basic Financial Statements .....	11
Federal Awards Receipts and Expenditures Schedule.....	23
Notes to Federal Awards Receipts and Expenditures Schedule .....	24
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	27
Schedule of Findings.....	29
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	61

**This page intentionally left blank.**



# Dave Yost • 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 have audited the accompanying financial statements of the of Richard Allen Academy II Community School, Montgomery County (the School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in note 16, during the fiscal year ended June 30, 2010, the School restated its net assets at beginning of year. The School's 2009 financial statements were disclaimed upon, and we are unable to apply procedures to determine whether the restated net assets in the financial statements as of July 1, 2009, were fairly presented in conformity with accounting principles generally accepted in the United States of America. Additionally, the financial statements excluded revenue collected as fees and related expenditures by the school for afterschool program, Saturday school, books and materials fees. We cannot reasonably determine the amount by which this departure would increase the amounts reported for revenues and expenditures, and net assets.

The School has incurred an operating loss of \$836,671, and an accumulated deficit of \$290,083. Management's plans in regard to these matters are described in Note 15.

In our opinion, except for the effects matters referred to in the third paragraph, the financial statements referred to above present fairly, in all material respects, financial position of the Richard Allen Academy II, Montgomery County, Ohio, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 11D, the Auditor of State initiated a special audit regarding expenditures of the School.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 audit 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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

November 18, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The discussion and analysis of Richard Allen Academy II Community School's financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. 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.

**Financial Highlights**

- In total, net assets increased \$54,741, which represents a 16 percent increase from fiscal year 2009.
- Total assets decreased by \$145,665, which represents a 60 percent decrease from fiscal year 2009.
- Liabilities decreased \$200,406, which represents a 34 percent decrease from fiscal year 2009.

**Using this Financial Report**

This annual report consists of a series of financial statements and notes to those statements.

The statement of net assets and the statement of revenues, expenses, and changes in net assets reflect how the School did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the School's net assets and change in those assets. This change in net assets is important because it tells the reader whether the financial position of the School has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating.

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 condition of the School building 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 2010 and fiscal year 2009.

**(Table 1)  
Net Assets**

	<b>2010</b>	<b>2009 (Restated)</b>	<b>Change</b>
<b>Assets:</b>			
Current Assets	\$ 67,047	\$182,456	(\$115,409)
Non-current Assets	31,184	61,440	(30,256)
Total Assets	<u>98,231</u>	<u>243,896</u>	<u>(145,665)</u>
<b>Liabilities:</b>			
Current Liabilities	388,314	588,720	(200,406)
<b>Net Assets:</b>			
Invested in Capital Assets Restricted	1,063	32,275	(31,212)
Unrestricted (Deficit)	(291,146)	(377,099)	85,953
Total Net Assets	<u><u>(\$290,083)</u></u>	<u><u>(\$344,824)</u></u>	<u><u>\$ 54,741</u></u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Total assets decreased \$145,665, mainly due to a decrease in a management company receivable and current year depreciation expense. Liabilities decreased by \$200,406 primarily due to the elimination of accrued contracts payable and reduction in contractual amounts payable. The increase in Total Net Assets was \$54,741.

Table 2 shows the changes in net assets for the fiscal year 2010 and fiscal year 2009.

**((Table 2)  
Change in Net Assets**

	<b>2010</b>	<b>2009 (Restated)</b>	<b>Change</b>
<b>Operating Revenues:</b>			
State Foundation	\$2,833,275	\$3,250,658	(\$417,383)
Miscellaneous	15,651	183,003	(167,352)
Total Operating Revenues	<u>2,848,926</u>	<u>3,433,661</u>	<u>(584,735)</u>
<b>Non-Operating Revenues:</b>			
Federal and State Grants	891,412	449,050	442,362
Total Revenues	<u>3,740,338</u>	<u>3,882,711</u>	<u>(142,373)</u>
<b>Operating Expenses:</b>			
Purchased Services	3,622,017	3,876,417	(254,400)
Professional & Legal Fees	31,839		31,839
Travel	529		529
Depreciation	31,212	39,725	(8,513)
Interest and Fiscal Charges		966	(966)
<b>Non-Operating Expenses:</b>			
Contractual Obligation			
Total Operating Expenses	<u>3,685,597</u>	<u>3,917,108</u>	<u>(\$231,511)</u>
Change in Net Assets	54,741	(34,397)	
Net Assets at Beginning of Year	<u>(344,824)</u>	<u>(310,427)</u>	
Net Assets at End of Year	<u>(\$ 290,083)</u>	<u>(\$ 344,824)</u>	

The \$142,373 decrease in revenues in fiscal year 2010 was due to a decrease in enrollment. The federal and state grant and miscellaneous revenue fluctuations were mainly due to incorrectly posting federal monies as miscellaneous revenue in fiscal year 2009 and receiving new federal grant stimulus monies in fiscal year 2010. The decrease in expenditures was \$231,511 for fiscal year 2010.

**Capital Assets**

At June 30, 2010 the capital assets of the School consisted of \$599,539 of leasehold improvements, equipment and vehicles which were offset by \$577,311 in accumulated depreciation resulting in net capital assets of \$22,228. Current year depreciation was \$31,212.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Debt**

At June 30, 2010, 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 equipment and vehicles. For the fiscal year, the School had \$12,500 of notes payable, outstanding at year-end.

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.

**This page intentionally left blank.**

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**Assets:**

**Current Assets:**

Cash and Cash Equivalents \$32,465

**Receivables:**

Accounts Receivable 34,582

Total Current Assets 67,047

**Non-current assets:**

Security Deposits 8,956

Capital Assets (Net of Accumulated Depreciation) 22,228

Total Assets 98,231

**Liabilities:**

**Current Liabilities:**

Accounts Payable 135,972

Contractual Amount Payable 218,677

Notes Payable 12,500

Lease Payable-Capital 21,165

Total Current Liabilities 388,314

Total Liabilities 388,314

**Net Assets:**

Invested in Capital Assets, Net of Related Debt 1,063

Unrestricted (291,146)

Total Net Assets (\$290,083)

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR FISCAL YEAR-ENDED JUNE 30, 2010**

<b>Operating Revenues:</b>	
State Foundation	\$2,833,275
Miscellaneous	15,651
Total Operating revenues	<u>2,848,926</u>
<b>Operating Expenses:</b>	
Purchased Services	3,622,017
Professional & Legal	31,839
Travel	529
Depreciation	31,212
Total Operating Expenses	<u>3,685,597</u>
Operating Loss	(836,671)
<b>Non-Operating Revenues:</b>	
Federal and State Grants	891,412
Total Non-Operating Revenues	<u>891,412</u>
Change in Net Assets	54,741
Net Assets at Beginning of Year (Restated)	<u>(344,824)</u>
Net Assets at End of Year	<u>(\$290,083)</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities:**

Cash Received from State of Ohio	\$2,831,773
Cash Payments to Suppliers for Goods and Services	(3,855,218)
Cash Payments to Others	(529)
Cash Received from Miscellaneous Sources	71,346
Net Cash Used for Operating Activities	<u>(952,628)</u>

**Cash Flows from Non-capital Financing Activities:**

Federal and State Subsidies Received	<u>891,412</u>
Net Cash Provided by Non-capital Financing Activities	<u>891,412</u>

Net Decrease in Cash and Cash Equivalents (61,216)

Cash and Cash Equivalents at Beginning of Year (Restated) 93,681

Cash and Cash Equivalents at End of Year 32,465

**Reconciliation of Operating Loss to Net Cash Used for  
Operating Activities**

Operating loss (836,671)

**Adjustments to Reconcile Operating loss  
to Net Cash Used for Operating Activities:**

**Changes in Assets and Liabilities:**

Depreciation	31,212
Decrease in Accounts Receivables	54,193
Decrease in Accounts Payable	18,109
Decrease in Accrued Contractual Labor	(118,515)
Increase in Security Deposits	(956)
Decrease in Contractual Amount Payable	(100,000)
Total Adjustments	<u>(115,957)</u>

Net Cash Used for Operating Activities (\$952,628)

*See accompanying notes to the financial statements.*

**This page intentionally left blank.**

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Richard Allen Academy II Community School (the School) is a 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, 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, and any other services requested by the school. In addition all employees of the School are IMR employee's and are subsequently contracted 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. The contract was renewed on June 15, 2009 for the period of July 1, 2010 through June 30, 2011.

The School operates under a self-appointing nine-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 fiscal year 2010 was 417.47 FTEs or 70.05 FTEs lower than previous 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  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. 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 are defined as 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.

**C. Budgetary Process**

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio 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 an annual basis.

**D. Cash**

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

**E. Estimates**

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

**F. Capital Assets 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 \$1,000. 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 of equipment and vehicles is computed using the straight-line method over estimated useful lives of five to fifteen years. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated over the life of the lease agreement of five years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Intergovernmental Revenues**

The School currently participates in the State Foundation Program and the State Parity (poverty based 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.

**H. 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 and parity aid received from the State of Ohio. 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. Federal and state grants comprise the non-operating revenues of the School.

**I. 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, 2010, including accounts payable.

**J. 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.

**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. At June 30, 2010, the School had no restricted net assets.

**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 School's ending bank balance was \$54,779. Federal depository insurance covered the entire bank balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. RECEIVABLES**

All receivables are considered collectible in full.

**Accounts Receivable** – amounts owed to the School by the management company for expenditure reimbursements.

**5. CAPITAL LEASES PAYABLE**

The School acquired two buses (capital assets) through capital leases in prior years; these 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 lease have been capitalized as vehicles in amount of \$111,100. At the time of acquisition, these leases were capitalized, and a corresponding liability was recorded.

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, 2010.

<u>Fiscal year</u>	<u>Lease Payments</u>
2011	<u>\$21,795</u>
Total Minimum Lease Payments	21,795
Less: Amount Representing Interest	<u>(630)</u>
Present Value of Minimum Lease Payments	<u>\$21,165</u>

**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 2010, the School contracted with the Netherlands Insurance Company for business personal property, director and officer liability and general liability insurance. Business personal property coverage carries a \$1,000 deductible. Director and officer liability coverage is set at \$1,000,000, total loss. The Netherlands Insurance Company also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. CAPITAL ASSETS**

A summary of the School's capital assets at June 30, 2010, follows:

<u>Depreciable Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$339,078			\$339,078
Equipment	149,361			149,361
Vehicles	111,100			111,100
Total	599,539			599,539
Less: accumulated depreciation	(546,099)	(\$31,212)		(577,311)
Capital Assets, Net	<u>\$ 53,440</u>	<u>(\$31,212)</u>		<u>\$ 22,228</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.

**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 2010, 12.78 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. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2010, 2009, and 2008 were \$14,291, \$13,910, and \$9,784 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, annual cost-of-living adjustments, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877 or by visiting STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

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 member contributions and earned interest matched by STRS Ohio funds times and 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 services who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – For the fiscal year ended June 30, 2010, 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 for the fiscal year ended June 30, 2010, 2009, and 2008 were \$229,699, \$170,658, and \$196,704 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 OPEB 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. POST EMPLOYMENT BENEFITS (Continued)**

**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 2010, 0.46 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 2010, 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, 2010, 2009, and 2008 were \$514, \$6,366, and \$2,921 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contributions to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$850, \$1,148, and \$461 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](http://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 2010, 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, 2010, 2009, and 2008 were \$17,669, \$13,127, and \$14,050 respectively; which were equal to the required contributions for each year.

**10. MANAGEMENT COMPANY AGREEMENT**

On 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 was renewed and amended through June 30, 2015.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. MANAGEMENT COMPANY AGREEMENT (Continued)**

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. For fiscal year 2010, the expenses related to contractual employees totaled \$1,833,532; \$1,532,040 for payroll and \$301,492 for benefits, respectively.

IMR receives a monthly management fee of 10% of the total revenues of the School from all sources after deduction of STRS, SERS, and audit adjustments. IMR receives 87 percent of the remaining 90 percent to cover charges 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.

The table below shows the management company expenses for fiscal year 2010.

Direct Expenses	
Salary and Wages	\$1,532,040
Retirement Benefits	91,504
Health Insurance Benefits	209,988
Instructional Materials	154,289
Support Services	173,151
Facility and Occupancy	388,883
Other	<u>15,292</u>
Total Direct	\$2,565,147
Indirect Expenses	
Total Indirect	<u>399,120</u>
Total Management Expenses	\$2,964,267

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. CONTINGENCIES (Continued)**

**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. As a result of review after fiscal year end, the Ohio Department of Education underpaid the School \$1,502. This amount is reflected as Accounts Receivable on the basic financial statements.

**C. Litigation**

There are no pending litigations that will impact the financial status of the school as of June 30, 2010.

**D. Special Audit**

On July 21, 2010, the Auditor of State initiated a special audit regarding expenditures of the school. Results of the special audit and the impact of any results from the special audit on the financial statements are currently unknown.

**12. NOTES PAYABLE**

At June 30, 2010 the School has outstanding notes payable to IMR in the amount of \$12,500. These notes were originally required to be repaid from operating revenue by December 31, 2010 unless extended by the two parties. The repayment of the notes has subsequently been extended until payment is required by IMR. 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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Operating Loan – IMR	\$12,500			\$12,500

**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 terms of the lease are renewable annually on July 1 as long as the School remains chartered by the Ohio Department of Education to operate a chartered public school. The monthly lease payments during fiscal year 2010 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 terms of these leases are expected to change significantly in future years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**14. RELATED PARTIES**

The Governing 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). The school pays IMR a management fee of ten percent of the total revenue of the school from all sources after a deduction of SERS, STRS, and audit adjustments. The school pays IMR 87% of the remaining 90% for School Employee Fee incurred on behalf of the school. See Note 10. The School has a notes payable due to IMR. See note 12.

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.

The School's superintendent is the daughter of the ICSMR CEO. The CEO's husband sits on the School's board as a non-voting member.

**15. MANAGEMENT'S PLAN REGARDING ACCUMULATED DEFICIT**

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. RESTATEMENT OF NET ASSETS**

The restatements for June 30, 2009 had the following effects on fund balance of the School as they were previously reported. The amounts were adjusted due to School's re-evaluation of accounts payable, which affected the below accounts.

	<u>June 30, 2009</u>	<u>Increase / (Decrease)</u>	<u>Restated June 30, 2009</u>
<b>Adjustments:</b>			
Cash and Cash Equivalents	\$139,512	(\$45,831)	\$93,681
Accounts Payable	254,339	(136,476)	117,863
Payroll Requirement Due	47,975	(47,975)	
Intergovernmental Payable	23,529	(23,529)	
Unrestricted	(539,248)	162,149	(377,099)

At June 30, 2009, this restatement had the following effect on fund equity as it was previously reported:

Net Assets at Beginning of Year	(\$506,973)
Net Accounting Change	162,149
Restated Net Assets at Beginning of Year	<u><u>(\$344,824)</u></u>

The restated net assets at beginning of year in amount of (\$344,824) was reflected on the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**17. PURCHASED SERVICES**

During the fiscal year ended June 30, 2010, purchased service expenses for services rendered were as follows:

Management Services	\$3,358,994
Certificated Retirement	247,368
Non-Certificated Retirement	<u>15,655</u>
	\$3,622,017

**18. NONCOMPLIANCE**

During fiscal year 2010, the School did not pay the Management Company in accordance with the contract.

**This page intentionally left blank.**

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$21,154	\$21,154
National School Lunch Program	10.555	111,599	111,599
Total Child Nutrition Cluster		<u>132,753</u>	<u>132,753</u>
Total United States Department of Agriculture		<u>132,753</u>	<u>132,753</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	236,829	190,604
Title I Grants to Local Educational Agencies	84.389	146,408	122,581
Total Title I Cluster		<u>383,237</u>	<u>313,185</u>
Special Education Cluster:			
Special Education Grants to States	84.027	75,938	104,773
ARRA - Special Education Grants to States	84.391	59,537	55,498
Total Special Education Cluster		<u>135,475</u>	<u>160,271</u>
Safe and Drug-Free Schools and Communities State Grant	84.186	1,692	3,382
Education Technology State Grants	84.318	2,589	2,589
Improving Teacher Quality State Grants	84.367	12,072	12,072
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	193,901	193,901
Total United States Department of Education		<u>728,966</u>	<u>685,400</u>
Total Federal Assistance		<u><u>\$861,719</u></u>	<u><u>\$818,153</u></u>

*The notes to this schedule are an integral part of this schedule.*

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Richard Allen Academy II Community School (the Community School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Community School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Community School assumes it expends federal monies first.



# Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of Richard Allen Academy II Community School, Montgomery County, (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 18, 2011, wherein we noted we are unable to apply procedures to determine whether the restated net assets in the financial statements as of July 1, 2009, were fairly presented, also the financial statements excluded revenue collected as fees and related expenditures by the school for afterschool program, Saturday school, books and materials fees. We also noted that the School has an accumulated deficit of \$290,083 as of June 30, 2010 and a special audit was initiated by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-012 through 2010-014 described in the accompanying schedule of findings to be material weaknesses.

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

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-015 described in the accompanying schedule of findings to be a significant deficiency.

**Compliance and Other Matters**

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-001 through 2010-012 and 2010-016 through 2010-018.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated November 18, 2011.

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

We intend this report solely for the information and use of management, the audit committee, the Governing Board, the School's sponsor, federal awarding agencies and pass-through entities, and others within the School. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

November 18, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Governing Board:

### Compliance

We have audited the compliance of Richard Allen Academy II Community School (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School's major federal programs. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

As described in findings 2010-019 through 2010-025 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding activities allowed or un-allowed, allowable costs/cost principle, cash management, matching, level of effort, earmarking, period of availability of federal funds, reporting and special tests provisions applicable to its Title I, Part A Cluster major federal program. As described in findings 2010-025 in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding reporting provisions applicable to its ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants and ARRA-Title 1d Grants to Local Educational Agencies. Compliance with these requirements are necessary, in our opinion, for the School to comply with requirements applicable to program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Richard Allen Academy II Community School complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-019 through 2010-025 to be material weaknesses.

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

We also noted other matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School's management in a separate letter dated November 18, 2011.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, the School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

November 18, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Cluster: Title I Grants to Local Educational Agencies 84.010 ARRA - Title I Grants to Local Educational Agencies 84.389  ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants 84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**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 of the School were members of the Board of Directors for each of the other three Richard Allen Community Schools.

The School 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.

**Official's Response:** See Page 55.

**FINDING NUMBER 2010-002**

**NONCOMPLIANCE/ FINDING FOR RECOVERY- REPAID WHILE 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 were the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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 \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 =\$800). Pursuant to **Ohio Rev. Code 3314.025**, her compensation was limited to \$200. The \$600 that was overpaid to Ms. Allen should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies=\$150).

In accordance with the forgoing 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, in the amount of \$150.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
7276	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8009	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75

**FINDING NUMBER 2010-002  
(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.

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company, in the amount of \$150 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Dixie Allen.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-003**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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.

Gary Persons was compensated in the amount of \$1,200 during the audit period to attend three board meetings 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. Persons should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing 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, in the amount of \$225.

**FINDING NUMBER 2010-003  
 (Continued)**

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
6887	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7273	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8010	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Gary Persons.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-004**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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.

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

**FINDING NUMBER 2010-004  
 (Continued)**

In accordance with the forgoing 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 Johnny Davis, and in favor of Richard Allen Academy II, in the amount of \$75.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
8018	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$75, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$75, and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Johnny Davis.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-005**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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 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).

**FINDING NUMBER 2010-005  
 (Continued)**

In accordance with the forgoing 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, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount Paid</u>	<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
6886	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7272	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8013	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company, in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company, in the amount of \$75 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Lonnie Norwood.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-006**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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.

**FINDING NUMBER 2010-006  
 (Continued)**

Michael McCormick was compensated in the amount of \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 = \$800). Pursuant to **Ohio Rev. Code 3314.025** his compensation was limited to \$200. The \$600 that was overpaid to Mr. McCormick should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies = \$150).

In accordance with the forgoing 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, in the amount of \$150.

<b>Check(s)</b>	<b>Date</b>	<b>Amount Paid</b>	<b>Signed by CEO and Treasurer</b>	<b>Allowable</b>	<b>Overpayment</b>
7277	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8015	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Michael McCormick.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-007**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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 2010-007  
 (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.

Wanda Mills 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. Mills should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing 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, in the amount of \$225.

<u>Check(s)</u>	<u>Date</u>	<u>Amount</u>		<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
		<u>Paid</u>				
6885	10/6/2009	\$100		Jeanette Harris and Steven Johnson	\$25	\$75
7271	1/12/2010	\$100		Jeanette Harris and Felix O'Aku	\$25	\$75
8016	4/7/2010	\$100		Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Wanda Mills.

**Official's Response:** The finding was repaid on 1/11/12. See Page 55.

**FINDING NUMBER 2010-008**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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.

**FINDING NUMBER 2010-008  
 (Continued)**

The governing authority members are the same for all four of the Richard Allen Academy Schools. On February 25, 2008, the governing authority approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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 \$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 3314.025** her compensation was limited to \$300. The \$900 that was overpaid to Ms. Cortner should be allocated equally to the four academies in the amount of \$225 (\$900/4 Academies = \$225).

In accordance with the forgoing 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, in the amount of \$225.

<b>Check(s)</b>	<b>Date</b>	<b>Amount Paid</b>	<b>Signed by CEO and Treasurer</b>	<b>Allowable</b>	<b>Overpayment</b>
6884	10/6/2009	\$100	Jeanette Harris and Steven Johnson	\$25	\$75
7275	1/12/2010	\$100	Jeanette Harris and Felix O'Aku	\$25	\$75
8012	4/7/2010	\$100	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris, Steven Johnson and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$225, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150, and Steven Johnson and his bonding company The Ohio Casualty Insurance Company in the amount of \$75 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Laquetta Cortner.

**Official's Response:** The finding was repaid on 1/11/12. See Page 56.

**FINDING NUMBER 2010-009**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE 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 approved to reimburse members at the rate of \$100 per meeting. For all meetings in which the governing authority were reimbursed for during fiscal year 2010, 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 \$800 during the audit period to attend two board meetings for four academies (2 meetings X 4 schools X \$100 = \$800). Pursuant to **Ohio Rev. Code Section 3314.025** her compensation was limited to \$200. The \$600 that was overpaid to Ms. Wortham-Spells should be allocated equally to the four academies in the amount of \$150 (\$600/4 Academies = \$150).

In accordance with the forgoing 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, in the amount of \$150.

<u>Check(s)</u>	<u>Date</u>	<u>Amount</u>		<u>Signed by CEO and Treasurer</u>	<u>Allowable</u>	<u>Overpayment</u>
		<u>Paid</u>	<u>Allowed</u>			
7274	1/12/2010	\$100	\$25	Jeanette Harris and Felix O'Aku	\$25	\$75
8014	4/7/2010	\$100	\$25	Jeanette Harris and Felix O'Aku	\$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.

Jeanette Harris and Felix O'Aku signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$150, Felix O'Aku and his bonding company The Ohio Casualty Insurance Company in the amount of \$150 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Mia Wortham-Spells.

**Official's Response:** The finding was repaid on 1/11/12. See Page 56.

#### FINDING NUMBER 2010-010

##### NONCOMPLIANCE

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The School's management company, Institute of Management and Resources, purchased Christmas fruit baskets for School's board members. The total cost of the fruit baskets was \$659, which was equally allocated and charged to all four Richard Allen Schools in the amount of \$164. The governing authority did not approve the purchase of Christmas gifts in a formal written resolution, therefore there was no indication that the expenditure was approved as a proper public purpose.

The Board should memorialize their decision to expend public funds in a formal resolution prior to making the expenditure.

**Official’s Response:** See Page 56.

#### FINDING NUMBER 2010-011

##### NONCOMPLIANCE

**First Addendum to the Management Agreement** between Institute of Management and Resources, Inc. (IMR) and the School states, in part, that the School shall pay to IMR a management fee of 10% of the total revenues of the School from all sources after deduction of STRS, SERS, and audit adjustments. The School will pay to the IMR 87% of the remaining 90% for School Expense Fee incurred on behalf of the School for District wide operational services, i.e., transportation, supplies, textbooks, rents, utilities, etc.

During fiscal year 2010, the Schools paid \$3,292,355 to IMR for management fee and school related expenses. There were no billing statements or support for amounts paid and transferred to IMR for fiscal year 2010. During fiscal year 2010 the School received 3,453,929 in “total revenues.” 10% or 345,393 of these revenues were due to the IMR for management fee. 87% of the remaining \$3,108,536 amounting to \$2,704,426 were due to IMR for “School Expense Fees.” Based on the management agreement, total payment to IMR for management company and school expense fees should have been 3,049,819. The management company was overpaid \$242,536.

The School should review its management company contract and verify that payments made to the management company are in accordance with the board ratified contract. Failure to do so could result in future potential overpayments and finding for recoveries.

Management company payments were investigated as part of the AOS special audit.

**Officials Response:** See Page 56.

## FINDING NUMBER 2010-012

### NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Revised Code Section 3314.03 (B)(5) and AOS Bulletin 2000-005** require that the management of each community school be responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations and contracts.

The School utilized Sage MIP accounting system for recording its financial transactions. The system was designed to capture information on an accrual basis of accounting. Based on review of the general ledger from the system these accounts were not accurately updated or corrected in a timely basis throughout the year. In addition, numerous correcting entries were posted in the general ledger.

The School's Financial Report for 2010 contained errors which resulted in numerous reclassifications and adjustments to correctly report the financial activity during and at the end of the period as follows:

#### Statement of Net Assets:

- The School netted \$33,080 in accounts receivable and \$10,902 in accounts payable and presented it as cash. Accompanying financial statement have been adjusted to correctly reflect the cash, receivable and payable balances.

#### Statement of Revenues, Expenses and Changes in Net Assets:

- \$349,061 in state and federal grant revenue were reported as miscellaneous operating revenues instead of non-operating and required an audit adjustment for correct presentation on the accompanying financial statements;

#### Statement of Cash Flows:

- Cash flow from operating activities were overstated \$365,795 and cash flow from non-capital financing activities were understated \$343,617. The net difference between overstatement and understatement was due to the audit adjustment for cash noted above.

#### Trial Balances

- Purchased services and professional/legal expenditures reported on the trial balance did not agree to the School's expenditure journal in the amounts of \$526 and \$278 respectively. The amounts were not material and did not require an audit adjustment in the accompanying financial statements.
- Miscellaneous revenue reported on the trial balance did not agree to the revenue ledger in the amount of \$337. The amount was not material and did not require an audit adjustment in the accompanying financial statements.
- Contractual amount payable was reported on the original financial statements in the amount of \$218,667; however, this account was not shown on the trial balance. The financial statements were determined to be correct.
- Purchased services reported on the trial balance did not agree to the financial statements in the amount of \$18,289. The financial statements were determined to be correct.
- Capital assets reported on the trial balance did not agree to the financial statements in the amount of \$53,817. The financial statements were determined to be correct.
- The School provided a trial balance that consisted of combined journal entries (a combination of reversing entries, accrual entries, and prior period audit adjustment entries) to calculate the financial statements.

**FINDING NUMBER 2010-012  
(Continued)**

In addition, several errors were noted in the Management Discussion and Analysis (MD&A) and the Notes to the Financial Statements.

Procedures should be developed and implemented to provide for the integrity of the financial records. Additionally, the amounts in the financial statements, notes to the financial statements, and MD&A should be supported by the appropriate documentation. Failure to establish these procedures could result in inaccurate financial reporting of the School's activities.

**Official's Response:** See Page 56.

**FINDING NUMBER 2010-013**

**MATERIAL WEAKNESS**

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide a reasonable assurance that all receipts and expenditures have been correctly posted on the entity's books and have been correctly posted by the bank. Additionally, reconciliation provides the School with an accurate accounting of its financial position at month end.

The School did not perform monthly bank reconciliations for June 30, 2010 until March 2011. The following errors were noted in the June 30, 2010 bank reconciliation:

- The reconciliations included items on the outstanding checks that were not true outstanding checks. The School removed these items from its outstanding check list in July 2011.
- The School's June 30, 2010 bank reconciliation included \$22,178 in reconciling items that were actually payables or receivables. \$10,902 in negative reconciling items to cash were made for payments made by the management company. The School would eventually reimburse the management company for the expenditures. The reconciliation also included \$33,080 in positive adjustments to cash for 1) Management company expenditures that were paid by the School and 2) School's receipts that were actually deposited in the management company's accounts. Audit adjustments were required to correctly present the cash, receivable and payable balances.

Bank account reconciliations are a basic control to provide accuracy and completeness of the School's recording of current receipts and expenditures. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost, stolen or inaccurately reported.

Procedures should be implemented to verify that monthly bank reconciliations are performed in a timely manner and any reconciling items, other than deposits in transit, and outstanding checks, are corrected within a reasonable period. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Additionally, independent detailed reviews should be performed of these reconciliations as means of providing for their accuracy.

**Official's Response:** See Page 56.

#### **FINDING NUMBER 2010-014**

##### **MATERIAL WEAKNESS**

The School's Management Company (Institute of Management and Resources) contracted with and operated four separate community schools, all of which operated 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 fees were not deposited by a Richard Allen School during fiscal year 2010.
- The Richard Allen Academy entered into a contract with the Montgomery County Department of Job and Family Services for TANF services. All of the \$20,400 paid on the contract to the Academy during fiscal year 2010 was deposited by the management company and then brought onto the June 30, 2010 cash reconciliation as an adjustment to cash after year-end in the Richard Allen Academy's financial statements. This same revenue source was booked entirely to Richard Allen Academy II in the previous fiscal year.
- 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.
- A payment due to the Richard Allen Schools from a vendor in the amount of \$59,436 was deposited by the management company during fiscal year 2010. This receipt was then brought onto the June 30, 2010 cash reconciliation as an adjustment to cash after year-end. This cash adjustment was made to only the Richard Allen Academy's financial records despite the fact that the receipt related to each of the four Richard Allen Schools.
- It was a policy of the 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 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 misstatements. The Academy should adopt and implement procedures to properly allocate and account for all financial activity. All funds due to the Academy should be recorded in the School's accounting records and should be deposited by the School in its bank account.

**Official's Response:** See Page 56.

#### **FINDING NUMBER 2010-015**

##### **SIGNIFICANT DEFICIENCY**

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

- 1) Daily lunch collections were deposited into a bank account that was shared by all four of the Richard Allen Academy Schools and one private school operated by the management company. The funds were comingled in the account that was in the name of Richard Allen Academy, Edgemont Campus.
- 2) Cash collected from the Academy's food service cash drawer was frequently utilized to make food service-related purchases.

**FINDING NUMBER 2010-015  
(Continued)**

- 3) The revenue collections were not distributed and posted to the various schools until after June 30, 2010. However, these were included in the 2010 basic financial statements by the client through a journal entry.
- 4) Daily lunch summary sheets lacked a reconciliation to determine if the amount collected reconciled to the amount that should have been collected.

The above weaknesses with the food service operation could result in errors and irregularities occurring and not being detected in a timely manner as well as having possible implications regarding the School's federal and state lunch claim reimbursements.

The School should implement procedures to correct the above issues with their food service operations. 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 accounting records throughout the year. In addition, a daily reconciliation should be performed by the Academy to determine if the amount of lunch money collected and deposited is proper.

**Official's Response:** See Page 57.

**FINDING NUMBER 2010-016**

**NONCOMPLIANCE/ FINDING FOR RECOVERY**

***State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)***, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The School ordered supplies in amount of \$617 from Staples Corp. on April 21, 2009 that were shipped to the West Park Academy. These supplies were paid for as part of check number 4096 signed by Jeanette Harris, CEO and Steven Johnson, Treasurer in amount of \$2,123. There was no documentation indicating that the board otherwise approved this expenditure. Further, there was no documentation indicating that West Park Academy refunded the School for the supplies.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against the West Park Academy and in favor of Richard Allen Academy II Community School, in the amount of \$617.

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 OhioSt. 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 2010-016  
(Continued)**

Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$617, Steven Johnson and his bonding company The Ohio Casualty Insurance Company, in the amount of \$617, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Steven Johnson, and The Ohio Casualty Insurance Company shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from the West Park Academy.

**Official's Response:** See Page 57.

**FINDING NUMBER 2010-017**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

*State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Richard Allen Academy Community School ordered supplies in amount of \$824 from Staples Corp. on January 5, 2009. The Richard Allen School did not make payment on the invoice and Staples Corp applied \$633 from check number 4096 signed by Jeanette Harris, CEO and Steven Johnson, Treasurer towards the payment of this balance. This expenditure was related to the Richard Allen Academy Community School and was not an obligation of Richard Allen Academy II Community School. There was no documentation indicating that the board otherwise approved this expenditure. Further, there was no documentation indicating that the Richard Allen Academy Community School refunded the School for the supplies.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against the Richard Allen Academy Community School and in favor of Richard Allen Academy II Community School, in the amount of \$633.

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 OhioSt. 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 \$633, Steven Johnson and his bonding company The Ohio Casualty Insurance Company, in the amount of \$633, in favor of the Richard Allen Academy II Community School. Jeanette Harris, Steven Johnson, and The Ohio Casualty Insurance Company shall be liable for such illegal expenditures to the extent that recovery or restitution is not obtained from the Richard Allen Academy Community School.

**Official's Response:** Richard Allen Academy reimbursed Richard Allen Academy II on 1/9/12. See Page 57.

**FINDING NUMBER 2010-018**

**NONCOMPLIANCE/ FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT**

During fiscal year 2010, the School leased building space at two locations in Dayton: 400 East Second Street and 627 Salem Avenue. The lease for the 627 Salem Avenue location was for the usage of third floor only. The School did not provide leases for any other locations; however, the School paid Dayton Power and Light (DP&L) and the City of Dayton for service at the following additional Dayton locations during fiscal year 2010:

<u>Check Number</u>	<u>Check Date</u>	<u>Location</u>	<u>Amount Paid</u>	<u>Signed by CEO &amp; Treasurer</u>
4055	7/9/2009	627 Salem Ave, Floor 2 (DP&L)	\$ 518	Jeanette Harris & Steven Johnson
4056	7/9/2009	625 Salem Ave, (DP&L)	248	Jeanette Harris & Steven Johnson
4059	7/9/2009	627 Salem Ave, Floor 1 (DP&L)	315	Jeanette Harris & Steven Johnson
4060	7/9/2009	627 Salem Ave (DP&L)	1,082	Jeanette Harris & Steven Johnson
4109	9/8/2009	811 North Paul L.Dunbar Avenue (City of Dayton)	390	Jeanette Harris & Steven Johnson
4110	9/8/2009	1032 Superior Avenue (City of Dayton)	348	Jeanette Harris & Steven Johnson
Total			<u>\$2,901</u>	

The Salem Avenue location housed the Community School's Sponsor, Kids Count of Dayton, and West Park Academy, a private school in the "Richard Allen Family." The Superior Avenue and Paul L. Dunbar Avenue location housed Richard Allen Preparatory during fiscal year 2009.

Obligations totaling \$2,901 were paid by Richard Allen Academy II Community School on behalf of Kids Count of Dayton, West Park Academy and Richard Allen Preparatory. There was no documentation that the board approved these expenditures. Further, there was no documentation indicating the School was reimbursed for any of these expenditures.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended in the amount of \$2,901 is hereby issued against Kids Count of Dayton and West Park Academy jointly and severally, in the amount of \$2,163 and; Richard Allen Preparatory in the amount of \$738 and in favor of the Richard Allen Academy II Community School.

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.

Jeanette Harris and Steven Johnson signed the checks resulting in the improper payments. Accordingly, a Finding for Recovery is hereby jointly and severally issued against Jeanette Harris in the amount of \$2901, Steve Johnson and his bonding company, The Ohio Casualty Insurance Company, in the amount of \$2901 and in favor of the Richard Allen Academy II to the extent that recovery or restitution is not obtained from Kids Count of Dayton, West Park Academy and Richard Allen Preparatory.

**Officials Response:** \$2,163 was repaid by West Park Academy on 1/6/12. \$738 was repaid by Richard Allen Preparatory Academy on 1/9/12. See Page 57.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2010-019
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies 84.010
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**MATERIAL WEAKNESS/ QUESTIONED COST**

**34 CFR Section 75.525** (a)-(b) states that a grantee may not permit a person to participate in an administrative decision regarding a project if: The decision is likely to benefit that person or a member of his or her immediate family; and the person is a public official; or has a family or business relationship with the grantee. A grantee may not permit any person participating in the project to use his or her position for a purpose that is or gives the appearance of being motivated by a desire for a private financial gain for that person or for others.

Jeanette Harris is the CEO of the School's management company, Institute of Management and Resources. Her husband Earl Harris served on the Board of Directors as a non-voting Board Member and is also the pastor of Greater Allen AME Church. The management company, including Mrs. Harris and her daughter, Michelle Thomas who served as the School's Superintendent during fiscal year 2010, determined the School's use of Title I funds. The School used \$30,897 in Title I funds to pay Greater Allen AME Church for after-school tutoring services.

The School should establish and implement conflict of interest policies in accordance with the federal requirements. All conflict of interest should be documented and the School should refrain from entering into procurement transactions that are not arm length transactions. Failure to do so could result in questioned cost and loss of grant revenue.

Related party payments listed above in amount of \$30,897 for Title I grant is considered questioned cost pursuant to OMB Circular A133 §\_\_\_.510 (a)(3).

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-020
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies 84.010 ARRA – Title I Grants to Local Educational Agencies 84.389
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**MATERIAL WEAKNESS/ QUESTIONED COST**

**2 CFR Part 225 Appendix A Part C** provides following guidelines for an expenditure to be allowable under federal expenditures:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be adequately documented.

Additionally, **2 CFR Section 215.28** states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. In Ohio, programs included in ODE's Consolidated Application have a project period starting with the application substantially approved date through June 30. Any carryover to the subsequent school district fiscal year must be approved by ODE. Additionally, any budget revisions contain a substantially approved date which coincides with the date the revision request was submitted to ODE. Activities may not commence from that budget revision prior to the substantially approved date. For Richard Allen II Academy the substantially approved date was July 22, 2009.

Following expenditures were deemed unallowable to 2010 Title I Grant in accordance with 2 CFR Appendix A Part C:

**Table I**

<b>Check Number</b>	<b>Amount Charged</b>	<b>Reason why unallowable</b>	
4096	\$ 633	Staples purchase shipped to the Richard Allen Academy.	
7015	100	Attendance bonus for non Title I Teacher	X
7016	100	Attendance bonus for non Title I Teacher	X
7018	100	Attendance bonus for non Title I Teacher	X
7020	100	Attendance bonus for non Title I Teacher	X
7021	100	Attendance bonus for non Title I Teacher	X
7123	6,159	Christmas Employee Bonus with no support	X
7124	5,887	Christmas Employee Bonus with no support.	X
7335	200	Professional Development for non Title I Employee	O
7338	200	Professional Development for non Title I Employee	O
7340	90	Professional Development for non Title I Employee	O
7342	1,000	Lead mentor coach stipend for non Title I Teacher	
7374	170	Travel for non Title I Teacher	
7601	3,740	Tuition Reimbursement for a non Title I Employee	
7617	260	Purchase of Gift Cards	
8360	1,000	Lead teacher Stipend for non Title I Teacher	
Total	<u>\$19,839</u>		

**FINDING NUMBER 2010-020  
 (Continued)**

X = No support was provided for the expenditures

O = support provided was not adequate. There was no amount documented in the support provided.

Following non-payroll expenditures were determined to be unallowable because the underlying obligation was undertaken prior to the substantially approved date of July 22, 2009:

**Table II**

<b>Check Number</b>	<b>Amount Charged</b>	<b>Obligation Date</b>	<b>Payee</b>	
6809	\$ 8,500	7/7/2009	Greater Allen A.M.E. Church	@
4077	3,740	7/15/2009	Great Books Foundation	&
6482	109	3/10/2009	Donut Palace	
4089	1,388	11/3/2008	Riverside Publishing	
4096	633	5/2/2009	Staples	#
6868	66	3/10/2009	Wright State University	
6796	257	4/23/2009	American Express	
7392	260	10/21/2008	Battele for Kids	
7287	62	5/15/2009	Michelle Thomas	
<b>Total</b>	<b>\$15,016</b>			

@ = Reported as questioned cost in finding # 2010-019

# = Also reported as questioned cost in the first table.

& = Title I ARRA expenditure.

Following 2009 payroll was charged to the 2010 Title I grant :

**Table III**

<b>Employee Name</b>	<b>FY'09 Amount Charged</b>	
Kenika Hardin	\$2,288	
Sean Williams	\$3,075	&
Tracy Ross	\$3,000	&
<b>Total</b>	<b>\$8,363</b>	

Following is the summary of total unallowable cost:

<b>From</b>	<b>Amount</b>
Table I	\$19,839
Table II	15,016
Table III	8,363
Less Table II expenditure already in Table I	(633)
Less Table II expenditure reported in Finding 2010-019	(8,500)
<b>Total Questioned Cost</b>	<b>\$34,085</b>

**FINDING NUMBER 2010-020  
 (Continued)**

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost in amount of \$34,085 which includes \$9,815 in ARRA Title I grant is hereby issued. Policies and procedures should be established and implemented to establish controls that would detect and prevent any noncompliance with the federal awards. Failure to do so could result in loss of grant revenue.

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-021
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies 84.010 ARRA – Title I Grants to Local Educational Agencies 84.389
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/ MATERIAL WEAKNESS**

**OMB Circular A-133 Subpart C Section .300(b)** requires the auditee to maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

The School spent \$313,185 from the Title I fund during fiscal year 2010. \$106,509 or 34% of these expenditures were related to non-payroll cash disbursements. However, the School did not have any controls in place and operating effectively over these federal expenditures to prevent and detect any material non-compliance. Lack of controls resulted in expenditures that were outside the period of availability and other expenditures that were deemed unallowable per 2 CFR Section 225 (formerly circular A-87). These issues have been reported findings 2010-019 and 2010-020. Additionally, lack of controls was noted for the following compliance requirements in Title I program:

- Level of Effort (maintenance of effort and supplement, not supplant) requirements.
- Procurement Suspension and Debarment
- Special Tests and Provisions - All Awards with ARRA Funding – Presentation on SEFA & DCF
- Special Tests and Provisions - Highly Qualified Teachers.

Appropriate controls should be developed and implemented at the School level to verify that controls will be able to prevent and detect any material non-compliance over federal programs. Failure to do so increases the likelihood of unallowable expenditures and material noncompliance with program requirements going undetected.

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-022
<b>CFDA Title and Number</b>	School Breakfast Program 10.553 National School Lunch 10.555 Title I Grants to Local Educational Agencies 84.010 ARRA – Title I Grants to Local Educational Agencies 84.389 Special Education Grants to States 84.027 ARRA – Special Education Grants to States 84.391 Safe and Drug-Free Schools and Communities State Grants 84.186 Educational Technology State Grants 84.318 Improving Teacher Quality State Grants 84.367 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants 84.394
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/ MATERIAL WEAKNESS**

**Office of Management and Budget (OMB) Circular A-133 Subpart C, §.310(b)** Schedule of Expenditures of Federal awards, states that the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately.

At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

**FINDING NUMBER 2010-022  
 (Continued)**

The School's Schedule of Federal Awards Receipts and Expenditures did not accurately present all the grant activity for the fiscal year. There were instances in which the schedule's revenue and expenditure amounts did not agree to the School's underlying support. The School was unable to provide supporting documentation for the Safe and Drug Free Schools and Communities grant expenditures. The Title I expenditures reported on the Schedule were overstated by \$5,417 compared to the School's actual expenditure charged to the grant. Similarly, Title I - ARRA grant expenditures were understated by \$3,740. In determining payroll grant expenditures for the schedule, the School utilized amounts from employee W-2's, which resulted in the differences between actual costs and costs reported on the schedule. The schedule has been adjusted to reflect the appropriate amounts. The schedule also did not include grants by cluster or federal agency, CFDA#, pass through entity, or accompanying notes to the schedule. In addition, the School provided three different versions of the schedule for audit.

To reduce the risk of inaccurate reporting of federal revenues and expenditures and noncompliance with OMB Circular A-133, Subpart C, §\_\_.310(b), due care should be taken in the preparation of the Schedule of Federal Awards Receipts and Expenditures. The Schedule should be reviewed after preparation and agreed to the underlying accounting records of the School for accuracy.

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-023
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies 84.010 ARRA – Title I Grants to Local Educational Agencies 84.389
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/ MATERIAL WEAKNESS**

**34 CFR 80.20** Section 6 states accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc.

The Title I grant expenditures reported on project cash request (PCR) forms submitted to the Ohio Department of Education (ODE) for cash draw downs did not agree to the School's actual grant expenditures. For the project cash request forms reviewed, the following variances were noted:

<u>Title I – PCR Date</u>	<u>PCR Expenditures</u>	<u>Academy's Actual Expenditures</u>	<u>Variance</u>
October 31, 2009	\$59,586	\$42,688	\$16,898
<b>Title I ARRA</b>			
September 30, 2009	47,130	25,465	21,665
October 31, 2009	69,753	55,766	13,987

Policies and procedures should be established and implemented to verify that cash requests submitted to ODE are accurate. Failure to do so could result in loss of grant revenues.

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-024
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies 84.010 ARRA – Title I Grants to Local Educational Agencies 84.389
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/ MATERIAL WEAKNESS**

**34 CFR Section § 200.55** in part states that:

- (a) Newly hired teachers in Title I programs.
  - (1) An LEA must ensure that all teachers hired after the first day of the 2002–2003 school year who teach core academic subjects in a program supported with funds under subpart A of this part are highly qualified as defined in § 200.56.
  - (2) For the purpose of paragraph (a)(1) of this section, a teacher teaching in a program supported with funds under subpart A of this part is—
    - (i) A teacher in a targeted assisted school who is paid with funds under subpart A of this part;
    - (ii) A teacher in a schoolwide program school; or
    - (iii) A teacher employed by an LEA with funds under subpart A of this part to provide services to eligible private school students under § 200.62.
- (b) All teachers of core academic subjects.
  - (1) Not later than the end of the 2005–2006 school year, each State that receives funds under subpart A of this part, and each LEA in that State, must ensure that all public elementary and secondary school teachers in the State who teach core academic subjects, including teachers employed by an LEA to provide services to eligible private school students under § 200.62, are highly qualified as defined in § 200.56.

Per the Ohio Department of Education confirmation of HQT (highly qualified teacher) status report, during 2010 four of the School's six Title I teachers did not meet all the requirements to be considered a highly qualified teacher.

The School should develop and implement policies and procedures to verify that required individuals meet and maintain the highly qualified teacher requirements. This will provide for the School hiring most qualified teaching staff.

**Official's Response:** See Page 57.

<b>Finding Number</b>	2010-025
<b>CFDA Title and Number</b>	ARRA – Title I Grants to Local Educational Agencies 84.389 ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants 84.394
<b>Federal Award Number / Year</b>	2010
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**NONCOMPLIANCE/ MATERIAL WEAKNESS**

**American Recovery and Reinvestment Act of 2009 (ARRA), Section 1512 (c)(D)** required not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency to submit a report to that agency that contained an estimate of the number of jobs created and the number of jobs retained by the project or activity.

The Ohio Department of Education’s American Recovery and Reinvestment Act Reporting Guidance states the Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. ODE distributes ARRA funds to local education agencies (LEAs) as sub recipients and must collect quarterly data from LEAs to meet the reporting requirements associated with ARRA funding. Among the items to be reported, was number of jobs created and retained by the project or activity.

**M-09-21, Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009 Section 5.2** states the estimate of the number of jobs required by the Recovery Act should be expressed as “full-time equivalents” (FTE), which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient (see Section 5.3 for more information). Employees who are not directly charged to Recovery Act supported projects/activities, who, nonetheless, provide critical indirect support, e.g., clerical/administrative staff preparing reports, institutional review board staff members, departmental administrators, are NOT counted as jobs created/retained. Recipients will report for all projects and activities or federally awarded contracts regardless of whether they are funded in whole or in part by the Recovery Act, but should report only on the jobs and funding attributable to an award under the Recovery Act.

The School reported 0, 2, 5 and 0 jobs created and retained by the School from Title I Funds. Three employees charged their full salary to the Title I ARRA grant from second to the fourth quarter of the School year. Additionally, two employees charged Title I ARRA grant during the first quarter of 2010 school year. Similarly, the School reported no jobs created and retained by State Fiscal Stabilization Fund (SFSF) even though six employees were paid out of this grant.

Steps should be established and implemented to verify that the reports submitted to the grantor are accurate and supported by the underlying School records. Failure to do so could result in loss of grant revenue.

**Official’s Response:** See Page 57.

**This page intentionally left blank.**

**RICHARD ALLEN ACADEMY II  
OFFICIALS RESPONSE**

**FINDING NUMBER 2010-001**

Response

The Governing Board of the Richard Allen Academy II (RAAII) is currently in compliance with R.C. § 3314.02(E)(2). No Governing Board Member serves on more than two (2) community school governing boards.

**FINDING NUMBER 2010-002**

Response

The overpayments to Dixie Allen will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-003**

Response

The overpayments to Gary Persons will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-004**

Response

The overpayments to Johnny Davis will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-005**

Response

The overpayments to Lonnie Norwood will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-006**

Response

The overpayments to Michael McCormick will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-007**

Response

The overpayments to Wanda Mills will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**RICHARD ALLEN ACADEMY II  
RESPONSE TO REGULAR AUDIT  
(Continued)**

**FINDING NUMBER 2010-008**

Response

The overpayments to Laquetta Cortner will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-009**

Response

The overpayments to Mia Wortham-Spells will be repaid by one or more of the parties against whom the finding has been issued. The Governing Board is currently in compliance with all statutes pertaining to community school board member compensation.

**FINDING NUMBER 2010-010**

Response

Jeanette Harris will reimburse RAAII in the amount of \$164.

**FINDING NUMBER 2010-011**

Response

The intent of RAAII and the management company in entering into this agreement was that 10% of the total school revenues be paid to IMR as the Management Fee; 87% of the total school revenues be paid to IMR for School Expenses Fees incurred by the management company; and the remaining 3% of total school revenues remain with the School. Upon recognizing the ambiguity in the contract language, the Board of Trustees and IMR have taken action to clarify the relevant contract language via retroactive amendment of the Management Agreement. The Board has also adopted a resolution approving the retroactive amendment of the Management Agreement and affirming the Board's intent with regard to Section 3.0 thereof. Documentation supporting this action has been provided to the Special Audit team.

**FINDING NUMBER 2010-012**

Response

RAAII has worked diligently to develop additional procedures to provide for the integrity of financial records since the audit period.

**FINDING NUMBER 2010-013**

Response

RAAII has developed and implemented policies and procedures to provide for monthly bank reconciliations.

**FINDING NUMBER 2010-014**

Response

The School has adopted additional policies and procedures to ensure proper allocation and accounting of all financial activities.

**RICHARD ALLEN ACADEMY II  
RESPONSE TO REGULAR AUDIT  
(Continued)**

**FINDING NUMBER 2010-015**

Response

The School has since adopted policies and procedures to solidify internal controls and ensure that revenue received by the School is posted to its accounting records.

**FINDING NUMBER 2010-016**

Response

The School has been informed that West Park Academy will reimburse RAAll in the amount of \$617.

**FINDING NUMBER 2010-017**

Response

The School has been informed that West Park Academy will reimburse RAAll in the amount of \$633.

**FINDING NUMBER 2010-018**

Response

RAAll has been informed that West Park Academy, Kids Count and Richard Allen Preparatory will reimburse the School in the amount of \$2,901.

**FINDING NUMBER 2010-019**

Response

RAAll used Greater Allen AME Church during fiscal year 2010 for after school and Saturday tutoring. The tutoring was a program designed to assist students who were in need of academic assistance. The fees paid to the Greater Allen AME Church were obtained at a cost equal to or less than what would have been charged by other comparable locations in the area. RAAll will ensure that potential conflicts of interest are vetted by the Governing Board in accordance with Board policy.

**FINDING NUMBERS 2010-020 through 2010-025**

Response

The Office of Federal and State Grants Management of the Ohio Department of Education (ODE) conducted a site visit on 8/31/2010.

**This page intentionally left blank.**

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	Ohio Rev. Code Section 3314.025 Finding for Recovery Board Member Pay – Dixie Allen	No	Repeated as finding 2010-002
2009-002	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay - Gary Persons	No	\$531 of prior FFR not repaid. Current audit similar instance reported as finding 2010-003
2009-003	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay - Keisha Jordan	Yes	Not a governing board member in 2010
2009-004	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay - Lonnie Norwood	No	Repeated as finding 2010-005
2009-005	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay – Mia Wortham-Spells	No	Repeated as finding 2010-009
2009-006	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay - Wanda Mills	No	Repeated as finding 2010-007
2009-007	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay – Felix O’Aku	Yes	Not on governing board in 2010
2009-008	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay – Michael McCormick	No	Repeated as finding 2010-006
2009-009	Ohio Rev. Code Section 3314.025 Finding for Recovery - Board Member Pay - Laquetta Cortner	No	\$50 of prior FFR not repaid, Current audit similar instance reported as finding 2010-008
2009-010	Finding for Recovery – Heating Project	Yes	
2009-011	Ohio Rev. Code Section 149.351(A) Finding for Recovery – Unsupported and Improper Expenditures	Yes	
2009-012	Grant Award not fully deposited	No	Partially Corrected - Repeated as finding 2010-014
2009-013	Ohio Rev. Code Section 149.351(A) Finding for Recovery – Unsupported and Improper Expenditures – Repaid Under Audit	Yes	

Richard Allen Academy II Community School  
Montgomery County  
Schedule of Prior Audit Findings  
Page 2

2009-014	Finding For Recovery – Employee Reimbursement	Yes	
2009-015	Ohio Revised Code Section 149.351(A) Missing support for expenditures	No	Repeated as a Management Letter citation
2009-016	Ohio Rev. Code Section 3314.01(B) & 3314.08(H)(1) Tuition charged for Saturday School	No	Repeated as a Management Letter citation
2009-017	Ohio Rev. Code Section 3314.08(B) Kindergarten agreement	Yes	Finding no longer valid
2009-018	Ohio Rev. Code Section 3314.02(E)(2) Board Membership	No	Repeated as Finding Number 2010-001
2009-019	Ohio Rev. Code Section 3314.024 Management Company note disclosure	No	Prior finding not repaid.
2009-020	Bank Reconciliation Monitoring	No	Repeated as Finding Number 2010-013
2009-021	Food Service Activity	No	Repeated as Finding Number 2010-015
2009-022	Allocation of Expenditures	No	Repeated as Finding Number 2010-014
2009-023	Proper Reporting of Financial Activity	No	Repeated as Finding Number 2010-014
2009-024	Equity Reporting	Yes	
2009-025	Accounts Payable	Yes	
2009-026	Contracts – summer and after school program	No	Repeated as Finding Number 2010-014
2009-027	Miscellaneous Revenue	Yes	



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

1. In our report dated January 4, 2011, we noted the Board adopted an anti-harassment policy on January 12, 2010. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the January 12, 2010 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.
  - (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 School's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

November 18, 2011



# Dave Yost • Auditor of State

**RICHARD ALLEN ACADEMY II COMMUNITY SCHOOL**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 21, 2012**