



Dave Yost • Auditor of State

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ashe Culture Center
Attn: Jorethia Chuck, Representative
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

We were engaged to audit the accompanying basic financial statements of Greater Heights Academy, Cuyahoga County, Ohio (the Academy), as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Academy's management.

The Academy did not retain or present for examination sufficient competent evidence to support the student full-time equivalencies reported to the Ohio Department of Education which supports the Foundation Revenue received.

We were unable to obtain documentation supporting the Academy's remittance amounts for retirement, federal, state or local withholdings. Also we were unable to obtain documentation supporting termination payouts. As a result, we were not able to verify the accuracy of these payroll related expenditures.

The Academy did not maintain documentation to support Board meetings, capital assets or the disclosures related to the items listed in paragraphs two through three above.

The Academy failed to prepare financial statements and note disclosures for the year ended June 30, 2007. Government Accounting Standards Board (GASB) Statements provides the minimum requirements for external financial reporting, which include the Management Discussion and Analysis (MD&A), the financial statement including the Statement of Net Assets, The Statement of Revenues, Expenditures, and Changes in Net Assets, and if required the Statement of Cash Flows, and Notes to the Financial Statements. Since, the Academy did not provide financial statements or notes; Auditor of State staff prepared the unclassified financial statements and notes listed in the table of contents using the Academy's accounting records. The Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit the Academy.

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* require us to obtain written representations from management. Management has not provided the Auditor of State written representations, including but not limited to, management's responsibility for preparing the financial statements in conformity with the Academy's accounting basis; the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings, management's responsibility for the Academy's compliance with laws and regulations; the identification and disclosure to the Auditor of State of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the

determination of financial statement amounts and; the presence or absence of regulations, and provisions of contracts and grant agreements, and compliance with any debt covenants.

AU Section 337 permits auditors to rely on the judgment of lawyers and management as to the disclosure of unasserted claims. Letters of audit inquiry sent to the Academy's legal counsel were not responded to. Therefore, we were unable to obtain sufficient evidence regarding the completeness of unasserted claims.

Since the Academy did not provide sufficient evidential matter as described in paragraphs two through seven above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements referred to above for the year ended June 30, 2007.

During the year ended June 30, 2007, the Academy had cash expenditures in excess of cash receipts by \$45,292.

The Academy voluntarily closed on November 17, 2008 due to financial viability.

The accompanying financial statements present receipts and disbursements by fund totals only. Ohio Administrative Code Section 117-02-02(A) requested governments to classify receipt and disbursement transactions.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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. This Academy omitted this required supplementary information.

We conducted our engagement to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures 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 schedule of federal awards receipts and expenditures (the 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. We were unable to obtain written representations from the Academy's management. Additionally, the Academy did not prepare the schedule; Auditor of State staff prepared the schedule and have impaired independence related to the schedule. As a result, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedule of federal awards receipts and expenditures referred to above is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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
Columbus, Ohio

January 31, 2014

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**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO**

**UNCLASSIFIED STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Cash Balance at Beginning of Year	\$ 113,638
Total Revenues	7,979,613
Total Expenditures	<u>8,024,905</u>
Cash Balance at End of Year	<u><u>\$ 68,346</u></u>

See Accompanying Notes to the Unclassified Financial Statements

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE UNCLASSIFIED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE ENTITY

Greater Heights Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is a community school in Cleveland, Ohio, serving children in grades K-10. The Academy goal is to employ educators that thrive on seeing children succeed. The success of the child will increase self-esteem and provide opportunities for a rewarding future. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the "Sponsor") for a period of five years commencing April 23, 2004. Lucas County Educational Service Center served as the Academy's Sponsor for the period July 1, 2005 through September 30, 2005. Effective October 1, 2005 ASHE Culture Center, Inc. became the Academy's Sponsor and the Treasurer of the Mahoning County Educational Service Center became the Academy's fiscal agent. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under the direction of a Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's one instructional/support facility staffed by 12 non-certificated and 75 certificated teaching personnel who provide services to 750 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the fund financial statement, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Academy does not apply FASB statements issued after November 30, 1989. Following are the more significant of the Academy's accounting policies.

A. Basis of Presentation

The Academy's financial statements consist of an Unclassified Statement of Financial Position.

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

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE UNCLASSIFIED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

The Academy's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Academy's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid; and accrued expenses and liabilities) are not recorded in these financial statements.

C. Budgetary Process

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

D. Cash and Cash Equivalents

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

E. Revenues

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

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

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

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

Under the above programs the Academy received \$7,559,286 this fiscal year.

Also included in revenues are miscellaneous items including, but not limited to, interest, proceeds from lines of credit, and donations.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE UNCLASSIFIED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Expenses

Expenses are all costs associated with the operation of the Academy.

The Academy's major expenditures for fiscal year 2007 were payroll, building leases, construction/building maintenance, transportation, and security services.

3. CASH AND CASH EQUIVALENTS

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

The Academy maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000, per qualifying account. The Academy has a general and payroll account. At June 30, 2007, the bank balance of the Academy's deposits was \$68,346. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

The Academy had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2007, none of the bank balance was exposed to custodial credit risk.

4. RISK MANAGEMENT

A. Property & Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2007, the Academy contracted with Pinkerton Insurance Co. for all of its insurance.

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

B. Workers' Compensation

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

C. Employee Medical and Dental Benefits

The Academy offers medical and dental insurance benefits through Aflac to all full time employees.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE UNCLASSIFIED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of 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.

B. Litigation

The Academy was involved in a court case with Mangan and Associates, LLC during the fiscal year. The case was the result of the Academy not providing payment for services rendered by Mangan and Associates, LLC. The Academy agreed to a settlement on November 5, 2008 for \$112,175.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

6. SPONSOR

The Academy contracted with Ashe Culture Center Inc. as its sponsor and oversight services as required by law. Sponsorship fees are calculated at three percent of net state funds received by the Academy from the State of Ohio, as foundation. For the fiscal year ended June 30, 2007 the total sponsorship fees totaled \$187,321. The Academy paid \$126,849 during fiscal 2007, with the remaining balance of \$60,472 as part of the outstanding balance.

7. RELATED PARTY TRANSACTIONS

The Academy executed a lease agreement with Raintree Academy on May 19, 2004 for general classroom space at 1970 South Taylor Road, Cleveland Heights, Ohio. The lease period is from July 1, 2004 through July 1, 2014 at a monthly rate of \$41,667.67. The Academy paid \$513,533 to Raintree Academy during fiscal year 2007. Raintree Academy is owned by Joel Friedman, Superintendent of the Academy.

The Academy entered into a management agreement with Columbia-Prospect LLC to manage and operate the property located at 112 Prospect Avenue, Cleveland, Ohio at a monthly rate of \$13,000. Columbia-Prospect LLC is owned by Paul Singerman, son of the Academy's Board President, Gilbert Singerman and nephew of Superintendent, Joel Friedman. In addition, eight checks written during fiscal year 2007 to Columbia-Prospect LLC were endorsed by Gilbert Singerman. The Academy paid \$122,890 in management fees and reimbursements in fiscal year 2007.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO
NOTES TO THE UNCLASSIFIED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. RELATED PARTY TRANSACTIONS (Continued)

Northbound Inc. provided construction work for the academy at 112 Prospect Avenue, Cleveland, Ohio. Northbound Inc.'s statutory agent is Egon Singerman, son of the Academy's Board President, Gilbert Singerman and nephew of the Academy's Superintendent, Joel Friedman. In addition, Gilbert Singerman endorsed eleven of the checks written to Northbound Inc. The Academy paid \$173,157 to Northbound Inc. during fiscal year 2007.

8. SUBSEQUENT EVENTS

After fiscal year 2007, fourteen judgments/settlements were made against the Academy totaling \$2,581,367.

The following list provides the parties involved and the resulting amount of each judgment, as well as the date each case was closed:

Party Involved	Amount of Settlement/Judgment	Date Closed
Community Bus Services, Inc.	\$831,127	9/29/2008
Mangan & Associates, LLC	112,175	11/5/2008
Arvon Funding, LLC	76,362	12/2/2008
Carron Asphalt Paving, Inc	17,883	12/24/2008
First Student Inc.	650,087	3/26/2009
Thyssenkrupp Elevator Corp.	23,649	4/15/2009
Ace Taxi Service, Inc.	31,225	6/29/2009
J&F Luxury Travel Inc.	27,900	7/24/2009
J. Bowers Construction Co.	4,387	7/29/2009
Comdoc, Inc.	3,611	8/3/2009
The Illuminating Company	78,085	4/30/10
City of Cleveland Heights	16,542	9/14/2010
TRCH LLC	708,334	12/10/2010
Total Amount:	\$2,581,367	

In addition to the above, the Academy also settled a case with A. Lopresti & Sons, Inc outside of court for an undisclosed sum.

Furthermore, the Academy ceased operation on November 17, 2008.

9. FEDERAL INVESTIGATION

On November 21, 2013, a federal grand jury returned indictments against four people charged with a scheme to defraud the Academy of more than \$400,000. Indictments on charges of wire fraud, mail fraud and conspiracy to launder money were handed down against Joel B Friedman, chairman of the Academy, Marianne Stefanik, secretary to chairman Friedman, Virgil B Holley, employed in various capacities at the Academy, including starting Holley Enterprises to provide security at the school, and Jefferey A. Pope, operator of the consulting business, R&D International in Maryland.

The defendants pleaded guilty and are scheduled to be sentenced in March 2014. The case was investigated by the Federal Bureau of Investigation and Internal Revenue Service.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program		10.553	\$ 149,136	\$ 73,384
School Lunch Program		10.555	247,987	122,025
Total Nutrition Cluster			<u>397,123</u>	<u>195,409</u>
Total U.S. Department of Agriculture			<u>397,123</u>	<u>195,409</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education, Part B - IDEA	2007	84.027	131,776	131,776
Total Special Education: Grants to States			<u>131,776</u>	<u>131,776</u>
Early Childhood Special Education, IDEA	2006	84.173	(917)	-
Total Special Education Cluster			<u>130,859</u>	<u>131,776</u>
Grants to Local Educational Agencies, Title I				
Grants to Local Educational Agencies, Title I	2006	84.010	-	97,190
Grants to Local Educational Agencies, Title I	2007	84.010	628,013	550,953
Total Grants to Local Educational Agencies, Title I			<u>628,013</u>	<u>648,143</u>
Improving Teacher Quality, Title II-A	2006	84.367	8,251	13,534
Improving Teacher Quality, Title II-A	2007	84.367	35,631	1,479
Total Improving Teacher Quality, Title II-A			<u>43,882</u>	<u>15,013</u>
Technology, Title II-D	2006	84.318	6,393	7,980
Technology, Title II-D	2007	84.318	10,091	-
Total Technology, Title II-D			<u>16,484</u>	<u>7,980</u>
Safe and Drug-Free Schools, Title IV-A	2006	84.186	(919)	-
Safe and Drug-Free Schools, Title IV-A	2007	84.186	10,838	-
Total Safe and Drug-Free Schools, Title IV-A			<u>9,919</u>	<u>-</u>
State Grants for Innovative Programs, Title V	2007	84.298	1,019	-
Total U.S. Department of Education			<u>830,175</u>	<u>802,912</u>
Total Federal Financial Assistance			<u>\$ 1,227,298</u>	<u>\$ 998,321</u>

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

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Greater Heights Academy's (the Academy's) federal award programs' receipts and expenditures. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2006 to 2007 programs:

Program Title	CFDA Number	Amount Transferred from 2006 to 2007
Safe and Drug-Free Schools, Title IV-A	84.186	\$919



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*

Ashe Culture Center
Attn: Jorethia Chuck, Representative
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

We were engaged to audit the financial statements of the Greater Heights Academy, Cuyahoga County, Ohio (the Academy) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2014, in which we disclaimed an opinion upon the financial statements because the Academy failed to provide supporting documentation to support the student fulltime equivalencies reported to the Ohio Department of Education (ODE) which supports the Foundation Revenue received. They also failed to provide support for remittance amounts for retirement, federal, state, or local withholdings and did not provide documentation supporting termination payouts. The Academy did not provide support for the related disclosures in the accompanying financial statements. The Academy failed to prepare financial statements, note disclosures, and schedules for the year ended June 30, 2007. The financial statements present receipts and disbursements by fund totals only. Management has not provided the Auditor of State written representations and letters of audit inquiry sent to the Academy's legal counsel were not responded to. We also noted that we were not independent due to our role in preparing financial statements, notes, and schedules. The Academy closed on November 17, 2008.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs 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 finding 2007-002, 2007-009 and 2007-011 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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 2007-004 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001 through 2007-010.

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014



Dave Yost • Auditor of State

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

Ashe Culture Center
Attn: Jorethia Chuck, Representative
2125 Superior Avenue
Cleveland, Ohio 44114

Ohio Department of Education, Sponsor
Attn: Stacey Callahan, Education Consultant
25 South Front Street, Mail Stop 307
Columbus, Ohio 43215

To Greater Heights Academy and Sponsors:

Compliance

We were engaged to audit the compliance of Greater Heights Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy'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 Academy's compliance.

Except as discussed in the following paragraph, we conducted our engagement 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 Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. Our engagement does not provide a legal determination on the Academy's compliance with those requirements.

We were unable to obtain written representations from the Academy's management supporting the Academy's compliance with the requirements described in paragraph one.

Because of the matter described in the preceding paragraph, the scope of our work was insufficient to enable us to express, and we do not express, an opinion on the Academy's compliance with the compliance requirements.

However, the results of our procedures also disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2007-12 through 2007-014.

Internal Control Over Compliance

The Academy'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 Academy'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 Academy'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 2007-012 through 2007-015 to be material weaknesses.

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Disclaimer
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Disclaimer
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grant – CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2007-001

Finding for Recovery – Noncompliance – Duplicate Payments and No Public Purpose Payment

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.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-001 (Continued)

**Finding for Recovery – Noncompliance – Duplicate Payments and No Public Purpose Payment
(Continued)**

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.

We noted the following expenditures issued to vendors did not meet the criteria of proper public purpose:

- Greater Heights Academy issued check #3300 on 03/12/07 in the amount of \$5,000.00 and check #3314 on 03/20/07 in the amount of \$5,718.00. These checks included a duplicate payment for a \$5,000 Northbound invoice dated 03/16/07 for labor charges.
- Greater Heights Academy issued check #3278 on 01/02/07 in the amount of \$6,812.00 and check #3320 on 03/16/07 in the amount of \$4,142.29. These checks included duplicate payments for \$1,500 for a Northbound invoice dated 03/01/07 for reimbursement for payments made to vendors.
- Greater Heights Academy issued check #3500 on 06/01/07 in the amount of \$13,389.22 and check #3278 on 01/02/07 in the amount of \$6,812. These checks included duplicate payments for \$600 for a Northbound invoice dated 3/1/07 for reimbursement to a vendor.
- Additionally, Northbound invoice dated 02/12/07 and invoice dated 05/21/07 included charges totaling \$5,320 for line of credit charges billed by Park View Federal Savings Bank to Columbia Prospect LLC. There is no evidence these charges benefitted or related to Greater Heights Academy.

As a result, duplicate payments totaling \$7,100 occurred in addition to a payment of \$5,320 that was not for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Northbound, Inc. in the amount of \$12,420, in favor of the Ohio Department of Education.

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

Former School Treasurer, Carl Shye Jr. was responsible for all financial aspects of the Academy. School Treasurer, Carl Shye Jr. also signed the warrants resulting in improper payments. School Treasurer, Carl Shye Jr. will be jointly and severally liable in the amount of \$12,420 and in favor of the Ohio Department of Education.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-002

Noncompliance and Material Weakness - Condition of Accounting Records

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

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transaction of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records.

During our testing of the Academy's receipt and disbursement cycles, we noted the following errors and irregularities to the Academy's records:

- GAAP financial statements (including notes to the financial statements and management's discussion and analysis) were not prepared for the audit period;
- Schedule of Federal Awards Receipts and Expenditures was not prepared for the audit period;
- Federal school breakfast and lunch program expenditures were significantly less than program receipts indicating inaccurate recordkeeping;
- State Food Service Intergovernmental Revenue in the amount of \$9,529 was improperly recorded as Federal Food Service Grant Intergovernmental Revenue;
- Federal Intergovernmental Revenues in the amount of \$33,343 were not recorded in the proper Federal Revenue line items;
- Numerous transactions did not have documentation to support the expenditure;
- Ten instances were identified in which partial payments were issued by the Academy without explanative supporting documentation;
- Two overpayments were issued by the Academy without explanative supporting documentation;
- Seventeen voided warrants were not recorded in the Academy ledger;
- Two warrants totaling \$1,204 cleared the Academy bank account, but were not recorded in the Academy ledger;
- Non-payroll checks were not issued in sequential order;
- Contract salary information was not maintained in the personnel file for one employee;
- Documentation was not maintained on file to support employee withholding remittances for State Teacher Retirement System, School Employee Retirement System, Federal, State, and Local Taxes withheld;
- Documentation was not maintained to determine whether 1099's or 990 IRS forms were prepared or filed;
- Documentation was not maintained on file to support employee terminations or payouts; and
- Capital asset records were not maintained

Failure to maintain records to support the financial statements impedes management's ability to make informed decisions as well as provide for the integrity of the Academy's financial statements and related assets.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-002 (Continue)

Noncompliance and Material Weakness - Condition of Accounting Records (Continued)

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

FINDING NUMBER 2007-003

Finding for Recovery – Noncompliance – Interest in Public Contracts

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

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

Ohio Rev. Code Section 2921.42(H) states public contracts are void *ab initio* and unenforceable, where a public official, a member of the public official's family, or any of the public official's associates has an interest in that contract. Such contracts are only permissible, per Ohio Rev. Code Section 2921.42(C), where all four of the following elements are met:

- (1) The subject of the public contract is necessary supplies or services for the political subdivision or governmental agency or instrumentality involved;
- (2) The supplies or services are unobtainable elsewhere for the same or lower cost, or are being furnished to the political subdivision or governmental agency or instrumentality as part of a continuing course of dealing established prior to the public official's becoming associated with the political subdivision or governmental agency or instrumentality involved;
- (3) The treatment accorded the political subdivision or governmental agency or instrumentality is either preferential to or the same as that accorded other customers or clients in similar transactions;
- (4) The entire transaction is conducted at arm's length, with full knowledge by the political subdivision or governmental agency or instrumentality involved, of the interest of the public official, member of the public official's family, or business associate, and the public official takes no part in the deliberations or decision of the political subdivision or governmental agency or instrumentality with respect to the public contract.

During the audit period, a relationship existed between Academy Board Member; Gilbert Singerman and vendor Northbound Inc.

The Academy issued checks to Northbound Inc. for construction work on the Prospect Avenue property that were endorsed by Gilbert Singerman. These checks totaled \$103,677. Further, Mr. Singerman wrote a letter to Greater Heights Academy on Northbound, Inc. letterhead demanding payment for services rendered. There is no evidence of complying with Ohio Rev. Code Section 2921.42(C).

In accordance with the forgoing facts, and pursuant to Section 117.28 of the Ohio Revised Code, a finding for recovery for public monies illegally expended is hereby issued against Gilbert Singerman, in the amount of \$103,677 and in favor of the Ohio Department of Education.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-004

Noncompliance and Significant Deficiency – Record of Minutes/Holding Public Meetings

Ohio Rev. Code Section 121.22(C) provides that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions.

Ohio Rev. Code Section 121.22(F) provides that every public body shall, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings and the time, place, and purpose of all special meetings. A public body shall not hold a special meeting unless it gives at least twenty-four hours advance notice to the news media that have requested notification, except in the event of any emergency requiring immediate official action. In the event of an emergency, the member or members calling the meeting shall notify the news media that have requested immediate notification.

It is the responsibility of the governing board to oversee the Academy's operation and make decisions to ensure the entity's goals and objectives are complete. The Board minutes represent the official record of the Academy's events and resolutions passed by the Board.

The Board should stay informed of financial matters throughout the fiscal year. During the audit, we noted the following items:

- We were unable to determine whether meetings were held for five of the scheduled meeting dates as no records were available for review. As a result we were not able to opine over the completeness and availability of all minutes of the legislative or other bodies and committee meetings;
- Minute records were incomplete for two meetings;
- The prior meeting minutes were not approved for two meetings; and
- The prior month's financial report was not reviewed for two meetings.

The Academy did not have procedures in place to maintain compliance with this section of law. In as much as the Board Members speak through its minutes, all actions of the Academy should be documented in the minute records with as much detail as possible, and with proper and accurate reference to supporting documentation. Without proper authorization, illegal transactions or payments could occur without the knowledge of the Academy officials. Also, these records provide management with the needed future references for informed decision making, and should be available for the public inspection of legislative decisions of the school Board Members.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-005

Noncompliance – Filing of Annual Financial Report

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

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

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

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

The Academy did not file the June 30, 2007 financial report, which was required to be filed no later than November 30, 2007.

In addition, Ohio Rev. Code Section 117.38 provides, in part, that "at the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in Section 319.11 of the Ohio Rev. Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer."

No evidence was provided, by the Academy, that this required notice was published. This may prevent the public from being aware of the transparency available in the Academy. By not filing their financial reports and annual notice, the Academy is not fulfilling their duties of accountability and transparency to the public.

FINDING NUMBER 2007-006

Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters

Ohio Rev. Code Section 149.43 (B)(2) requires that entities shall have available a copy of its current records retention schedule at a location readily available to the public.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-006 (Continued)

Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters (Continued)

In addition, all public offices are required to create a poster describing its public records policy. The public office is required to display the poster in a conspicuous place in the public office and in all locations where the public office has branch offices, per Ohio Revised Code Section 149.43 (E)(2).

The Academy did not provide a copy of its records retention policy.

FINDING NUMBER 2007-007

Noncompliance - Annual Report of Activities

Ohio Rev. Code Section 3314.03(A) (11) (g) provides that the community school's governing authority is required to submit an annual report of its activities and progress in meeting the goals and standards of Ohio Rev. Code Section 3314.03(A)(3) and (4) (academic goals to be achieved and method of measurement to determine progress and performance standards to evaluate a community school's success) and its financial status to the sponsor, the parents of all students enrolled in the community school, and the legislative office of education oversight. The report must be submitted within four months after the end of each school year. The community school must collect and provide any data that the legislative office of education oversight requests in furtherance of any study or research that the general assembly requires the office to conduct.

The Academy did not provide any evidence of the required annual reports of its activities and progress in meeting the goals and standards were submitted as required by the above Ohio Rev. Code Section, as well as, its financial status to the sponsor, the parents of all students enrolled in the Academy, and the legislative office of education oversight for the audit period.

FINDING NUMBER 2007-008

Noncompliance - Education Information Management System (EMIS)

Ohio Rev. Code Section 3314.17 requires community schools to follow the requirements of Ohio Rev. Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each Academy district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data; and
- Procedures for annually reporting the data to the general public;

Section B prescribes:

- Guidelines outlining what information should be maintained in the system;

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-008 (Continued)

Noncompliance - Education Information Management System (EMIS) (Continued)

Section C prescribes:

- That education management information shall include cost accounting data for each district as a whole and by building;

Section D prescribes:

- Guidelines which require information about individual students, staff members, or both; and

Section E further prescribes

- Guidelines which describe any and all special reports which may be required.

The Academy failed to meet the reporting and record keeping requirements as outlined above. Therefore, we were unable to determine if the Academy properly filed EMIS reports.

FINDING NUMBER 2007-009

Noncompliance and Material Weakness – Undocumented Enrollment for State Foundation Funding

Ohio Rev. Code, Section 3314.03(A)(11)(a) states that the contract between a sponsor and the governing authority must specify that the Academy will provide learning opportunities to a minimum of twenty five students for a minimum of nine hundred twenty hours per Academy year.

Enrollment numbers are submitted through the Education Management Information System (EMIS) to the Ohio Department of Education (ODE) and are used to determine the amount of State Foundation money each Academy receives. Ohio's State Funding Formula is a foundation program with an assumed local share of charge-off being subtracted from the basic program costs to determine the state formula aid. The basic program cost is the current year formula amount times the current year formula average daily membership plus the sum of four base funding supplements, called "building blocks." These building blocks are funding for intervention, professional development, data based decision making and professional development for data based decision making. The per pupil formula amount is set by the legislature.

For the audit period of July 1, 2006 through June 30, 2007 there were no:

- Student files to show how many students attended the Academy and the duration of attendance;
- Records documenting how many hours the Academy was in session or what type of instruction was offered;
- Attendance sheets;
- Documentation over enrollment/withdrawal dates of its students; and
- Official student rosters.

The assurance of 920 hours of instruction to each student could not be determined and support was not provided for the student attendance figures reported to Ohio Department of Education (ODE).

As a result, state foundation payments totaling \$6,669,922 in fiscal year 2007 were unsubstantiated.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-010

Noncompliance – Five Year Forecast

Ohio Revised Code Section 3314.03(A)(15) requires the Academy prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specifying the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Ohio Revised Code.

Ohio Administrative Code Section 3301-92-04 (A) states that upon the adoption of an annual appropriation measure but no later than October thirty-first of each fiscal year, a board of education shall submit to the department of education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. Subsection (F) states that a board of education shall update its five-year projection between April first and May thirty-first of each fiscal year and submit it to the department of education.

The Academy did not submit a five-year projection to the Ohio Department of Education.

Failure to prepare and submit the five-year projection diminishes management's ability to adequately monitor the Academy's current and projected financial viability and make informed decisions.

FINDING NUMBER 2007-011

Material Weakness – Lack of Management Representation

AICPA Codification of Auditing Standards (AU) section 333 states that the auditor should obtain written representations from current management on all periods covered in the audit report. An auditor should obtain representations from those members of management with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations.

AU section 333 further states that management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause an auditor to disclaim an opinion or withdraw from the engagement.

As part of a Circular A-133 compliance audit, the auditor should obtain written representations from management about matters related to federal awards. Therefore, in addition to the management representations obtained in connection with an audit of the financial statements, the auditor should obtain written representations from management concerning the identification and completeness of federal award programs, representations concerning compliance with compliance requirements, and identification of known instances of noncompliance.

Additionally, management's refusal to furnish all written representations that the auditor considers necessary in the circumstances constitutes a limitation on the scope of the audit sufficient to require a qualified opinion or disclaimer of opinion on the auditee's compliance with major program requirements.

Management was not willing to provide written representation. The Academy suddenly ceased operation on November 17, 2008.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-011 (Continued)

Material Weakness – Lack of Management Representation (Continued)

Therefore based on management’s refusal to provide written representations in connection with the audit of the financial statements or matters related to federal awards we disclaimed an opinion on the financial statements and disclaimed an opinion on the auditee’s compliance with major federal program requirements. See Federal Finding 2007-015 in Section 3 below. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Questioned Cost/Noncompliance/Material Weakness – Allowable Cost/Cost Principles

Finding Number	2007-012
CFDA Title and Number	Title I, 84.010
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR Part 225 Appendix A Section A(2)(a)(2) states that governmental units assume responsibility for administrating federal funds in a manner consistent with underlying agreements, program objectives, and their terms and conditions of the Federal Award.

2 CFR Part 225 Appendix A Section C(1)(J) provides that to be allowable under Federal awards, costs must be adequately documented.

During a test of twenty five transactions we noted two transactions totaling \$25,803 charged to the Title I federal program that did not comply with the allowable cost/cost principles as defined by the OMB Circular A-87.

Based on the above non-compliance we are questioning the expenditures totaling \$25,803 charged to this federal program.

Procedures need to be implemented to ensure that all Federal expenditures are adequately supported as required by 2 CFR Part 225.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

Questioned Cost/Noncompliance/Material Weakness – Cash Management

Finding Number	2007-013
CFDA Title and Number	Title I, 84.010
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.21(c) states that grantees and subgrantees shall be paid in advance; provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

Further, the Ohio Department of Education's online Project Cash Request Form includes instructions for requesting federal funds. The first payment is initiated by the Ohio Department of Education upon approval of the application. Subsequent payments must be requested by the LEA as needed using the online Project Cash Request (PCR). Except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balance (amount by which program expenditures exceed project cash received to date). Schools may request more than one negative balance only PCR in a given month. ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount. Funds are to be expended within the period of time for which they are requested.

During the audit period it was determined the Academy requested funds in excess of their actual need on the PCR forms totaling \$77,180. These excess funds should have been carried over to grant year 2008. However there was no evidence these excess funds were carried over to the Title I grant year 2008 or expended on the Title I grant year 2007 program by the Academy.

Based on the above non-compliance we are questioning the expenditures totaling \$77,180 that appear to be charged to non-Title I activity.

Procedures need to be implemented to ensure that all Federal funds are requested as needed and expended in a timely manner on the Federal program.

Questioned Cost/Noncompliance/Material Weakness – Period of Availability

Finding Number	2007-014
CFDA Title and Number	Title I, 84.010
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
June 30, 2007
(Continued)**

FINDING NUMBER 2007-014 (Continued)

Questioned Cost/Noncompliance/Material Weakness – Period of Availability (Continued)

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §____.23; OMB Circular A-110 (2 CFR section 215.28)).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request (A-102 Common Rule, §____.23; OMB Circular A-110 (2 CFR section 215.71)).

During a test of twenty five transactions we noted one expenditure; totaling \$15,957, which was recorded in the Academy ledger and charged to the federal program, but did not clear the Academy bank account. There is no evidence that a check was actually issued to support this charge. As a result, we were unable to determine whether the transaction was liquidated within the period of availability.

Based on the above non-compliance we are questioning expenditures totaling \$15,957 charged to this federal program.

We recommend the Academy retain adequate documentation supporting all expenditures charged to the Title I program to ensure they are liquidated within the period of availability.

Material Weakness – Lack of Management Representation

Finding Number	2007-015
CFDA Title and Number	Title I, 84.010
Federal Award Number / Year	2007
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

AICPA Codification of Auditing Standards (AU) section 333 and OMB Circular A-133 states that the auditor should obtain written representations from current management. Management was not willing to provide written representations. See Finding 2007-11 in Section 2 above for a detailed description. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

Official's Response:

Official responses were not provided by the Academy.

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Finding for Recovery – Noncompliance – Duplicate Payments and No Public Purpose Payment	No	No action has been taken by individual(s) with findings issued against them.
2006-002	Noncompliance and Material Weakness – Undocumented Enrollment for State Foundation Funding	No	Not Corrected – See 2007-009
2006-003	Noncompliance – Filing of Annual Financial Report	No	Not Corrected – See 2007-005
2006-004	Noncompliance - Liability Insurance	Yes	No longer valid
2006-005	Noncompliance and Material Weakness – Record of Minutes/Holding Public Meetings	No	Not Corrected – See 2007-004
2006-006	Noncompliance - Establishment of Records Retention Policy, Public Records Policies and Posters	No	Not Corrected – See 2007-006
2006-007	Noncompliance - Annual Report of Activities	No	Not Corrected – See 2007-007
2006-008	Noncompliance - Education Information Management System (EMIS)	No	Not Corrected – See 2007-008
2006-009	Noncompliance and Material Weakness – Condition of Accounting Records	No	Not Corrected – See 2007-002
2006-010	Material Weakness - Internal Control System	No	Not Corrected – See 2007-002
2006-011	Material Weakness – Lack of Management Representation	No	Not Corrected – See 2007-011
2006-012	Noncompliance and Material Weakness – Equipment and Real Property Management - Title I Grant – CFDA #84.010	Yes	No longer valid
2006-013	Noncompliance and Material Weakness – Procurement and Suspension and Debarment - Title I Grant – CFDA #84.010	Yes	No longer valid
2006-014	Noncompliance – Eligibility - Title I Grant – CFDA #84.010	Yes	No longer valid

**GREATER HEIGHTS ACADEMY
CUYAHOGA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE30, 2007
(Continued)**

2006-015	Questioned Cost/ Noncompliance/Material Weakness – Unsupported Adjustments - Title I Grant – CFDA #84.010	No	Not Corrected – See 2007-012
2006-016	Material Weakness – Lack of Management Representation - Title I Grant – CFDA #84.010	No	Not Corrected – See 2007-015



Dave Yost • Auditor of State

GREATER HEIGHTS ACADEMY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2014**