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INDEPENDENT AUDITOR'S REPORT

Dr. Richard A. Ross
Superintendent of Public Instruction
Ohio Department of Education

We conducted a special audit of the community school sponsorship activities of the Warren County Educational Service Center (the WCESC), the North Central Ohio Educational Service Center (the NCOESC), and the St. Aloysius Orphanage (the SAO) by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2013 through December 31, 2013 (the Period) solely to:

- Identify and evaluate the procedures and processes by which the sponsor received and evaluated applications from start-up and/or conversion community schools to assess compliance with statutes and rules governing these areas and identify weaknesses or suggestions for improvement.
- Examine the organizational and operational relationships among sponsoring organizations, start-up and/or conversion community schools, management companies, and other organizations that provide professional services to any of the parties to assess whether there is evidence of an improper interest in a public contract.
- Examine documentation supporting certain disbursements by the start-up and/or conversion community schools and the management companies on-behalf of the start-up and/or conversion community schools to evaluate whether monies disbursed were for a proper public purpose.
- Examine documentation supporting the sponsors' continuous monitoring activities to assess whether the sponsor complied with statutes and rules governing the frequency and type of monitoring activities.

This engagement was conducted in accordance with the Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency (January 2012). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We obtained an understanding of the sponsors' procedures and processes by which the sponsors received and evaluated applications from start-up and/or conversion community schools. We examined applications received and evaluated by the sponsors for compliance with the sponsors' policies and procedures; and with significant statutes and rules governing sponsorships and the evaluation of such applications.

Significant Results – Ohio law and Ohio Department of Education (ODE) rules lack guidance for community schools seeking sponsorship and for sponsors evaluating community school applications. Additionally, the statutes and rules contain no objective minimum standards which applying schools must meet to demonstrate academic and financial sustainability.

WCESC did not have documented procedures in place for evaluating applications for sponsorship. During the Period, it received one application, which was approved. That school was still open as of the end of the Period. Subsequent to the Period, WCESC developed written procedures governing its process of evaluating community school proposals and applications.

NCOESC also did not have documented procedures for evaluating applications for community schools. Fifteen applications were received during the Period; all were approved and 12 schools opened. As of the end of the Period, eight of these first-year schools remained open and four were suspended. Subsequent to the Period, NCOESC developed written procedures governing its process of evaluating community school proposals and applications.

SAO contracted with Charter School Specialists (CSS) to provide sponsorship services on their behalf. CSS had comprehensive written procedures which were followed for evaluating applications. SAO received applications to sponsor 25 schools during the Period. Ten schools were approved and opened in the fall of 2013. Of those 10, two remained open as of December 31, 2013 and eight were suspended.

Each of the three sponsors entered into preliminary agreements with the schools' developers, executed sponsorship contracts, conducted site visits and obtained assurances about the schools' readiness to open. A total of 26 schools were approved to open by the three sponsors. Seven of the 26 required preliminary agreements and contracts were not submitted timely to the ODE Office of Community Schools (OCS). All seven involved schools sponsored by NCOESC.

We issued a noncompliance citation for failure to submit required reports, and we issued management comments regarding vetting of school applications and opening assurances visits.

2. We obtained an understanding of the organizational structure and operational relationships among sponsoring organizations, start-up and/or conversion community schools, management companies, and other organizations that provide professional services to any of the parties.

Significant Results – Ohio laws allow various methods of structuring relationships among community schools, sponsors, and management companies and allow arrangements that produce competing interests that in other contexts might be considered improper conflicts of interest. Ohio laws also allow sponsors to contract with their community schools for various administrative services. The Auditor of State has previously noted the weaknesses in Ohio law and recommended statutory changes to prohibit conflicts of interest, especially the selling of services by sponsors to community schools they sponsor.

For each of the three sponsors under review, we selected a sample of the community schools opened during the Period. For those schools examined, we did not identify any evidence of an improper interest in a public contract among sponsoring organizations, start-up and/or conversion community schools, management companies, or other organizations that provided professional services to any of the parties. However, we issued a management recommendation regarding competing interest when parties are permitted to serve in multiple roles in these relationships. This recommendation and the work supporting it demonstrate the need for change to Ohio law previously recommended by the Auditor of State.

3. We obtained an understanding of the flow of state foundation and other funding from the ODE to the community schools, the sponsor, and the management company.

We examined documentation supporting certain disbursements by the community schools and by management companies on-behalf of the community schools where applicable.

Significant Results – Our audit procedures were applied to a total of \$3,727,830 in expenditures of schools sponsored by WCESC, NCOESC and SAO. Of that amount, we noted \$27,315 in unsupported disbursements and \$4,802 expended for purposes unrelated to school operations by schools sponsored by NCOESC. Specific testing results for each school can be found in the Appendices at the end of this report. We issued findings for recovery against two community school Directors totaling \$4,802 in favor of ODE for disbursements we concluded were not for a proper public purpose. We did not issue findings for recovery against the three sponsors.

4. We obtained an understanding of the sponsors' continuous monitoring activities and examined documentation supporting the sponsors performed continuous monitoring of their sponsored schools in accordance with applicable statutes and rules.

Significant Results – Each of the sponsors conducted two annual comprehensive site visits, which were documented and available upon request. Additionally, each of the sponsors attended board meetings and reviewed financial and enrollment records as required by applicable rules and statutes. Where sponsors were unable to conduct site visits prior to opening, or new schools fell below minimum requirements, those new schools were closed or suspended.

On July 23, 2015, we held an exit conference with individuals representing NCOESC. On August 3, 2015, we held an exit conference with individuals representing SAO and CSS. On August 4, 2015, we held an exit conference with individuals representing WCESC.

The attendees were informed that they had five business days to respond to this special audit report. NCOESC did not submit a response to the report. A response was received from CSS on August 10, 2015. A response was received from WCESC on August 11, 2015. The responses were evaluated and changes were made to this report as we deemed necessary.



Dave Yost
Auditor of State

March 4, 2015

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Supplement to the Special Audit Report

Background

The Auditor of State's Office received information from various sources regarding certain community schools sponsored by St. Aloysius Orphanage (SAO), North Central Ohio Educational Service Center (NCOESC) and Warren County Educational Service Center (WCESC). Multiple community schools had closed or been suspended after receiving taxpayer dollars and there were concerns whether the sponsors had provided sufficient monitoring and oversight, as required by law. The problem was exacerbated by a then-existent rule which permitted new community schools to receive funding prior to opening based on the schools' own "estimated enrollment." (See OAC 3301-102-06 and SOES User Manual amended to state as follows, "No longer will ALL newly opening community schools receive funding in July, August, and September based on "estimated enrollments. This is a change from previous years.") When schools failed to open or were suspended, they already had received three months of funding based on potentially optimistic enrollment figures. This information was considered by the Auditor of State's Special Audit Task Force and on January 14, 2014 the Auditor of State initiated a special audit of the community school sponsorships of SAO, NCOESC, and WCESC. Specifically, the special audit was to gain an understanding of existing legal requirements governing how sponsors vet start-up and/or conversion community schools, how different sponsors performed those tasks required by the law, and analyze whether the legal requirements sufficiently protect taxpayers' dollars.

Summary of Schools Sponsored, as of December 31, 2013

Sponsor	Total Schools Sponsored	Open Schools	Closed or Suspended Schools
North Central Ohio ESC	24	16	8
St. Aloysius Orphanage	65	49	16
Warren County ESC	4	4	-

*Sponsor data obtained from the Ohio Department of Education

See Appendices A through C for more detailed information on sponsored schools.

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Objective No. 1

Sponsors' Vetting of Schools Applying for Sponsorship

PROCEDURES

We obtained an understanding of the sponsors' procedures and processes by which the sponsors received and evaluated applications from start-up and/or conversion community schools.

We examined applications received and evaluated by the sponsors for compliance with the sponsors' policies and procedures; and with significant statutes and rules governing start-up and conversion school applications for sponsorship and the sponsors' evaluation of such applications.

RESULTS

There are no statutes or rules governing sponsors' evaluation of community school applications. There are also no objective minimum standards set in statute or ODE rules that proposed schools must meet to demonstrate their academic and financial sustainability.

General guidance provided by ODE states school developers should meet with an authorized sponsor and share the school's vision. If the sponsor agrees to sponsor the school, a Preliminary Agreement, signed by the developer and the sponsor, must be provided to the ODE Office of Community Schools (OCS) within 10 business days.

Developers then work with sponsors to finalize a contract, which must occur by March 15 of the applicable year. The final contracts should include detailed educational, financial, assessment and accountability and governance plans. The contracts must be submitted to the OCS for legal compliance reviews and must be executed by May 15 of the year in which the school intends to open.

Ohio statutes and rules require the sponsor to make a final site visit, prior to the school's opening date, to ensure all necessary permits and inspections have been obtained. The sponsor then submits an Opening and Annual Sponsor Assurances Form to the OCS not later than 10 days prior to the school's opening. This assurance form is required by Ohio Revised Code.

WARREN COUNTY EDUCATIONAL SERVICE CENTER

During the Period, WCESC did not have documented procedures for sponsoring new schools.¹ WCESC received one request for sponsorship for the 2013-2014 school year from Ohio Construction Academy (OCA), a conversion community school. WCESC met with individuals representing OCA and requested information such as an education plan and proposed budget projections. After receiving the requested information, WCESC entered into a preliminary sponsorship agreement, which was submitted to OCS.

WCESC continued to evaluate OCA by attending multiple meetings with the school developers, and eventually entered into a sponsorship contract with OCA, which was submitted to OCS as required. A final opening assurance site visit was performed prior to OCA's first day of school and the assurance form was submitted to OCS as required.

¹ WCESC adopted a formal "Charter School Sponsorship Application Guide for Assignments of Contract" in November 2013; however, we did not review this application guide because it was not used in evaluating or vetting new community schools during the Period.

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NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

During the Period, NCOESC did not have documented procedures for sponsoring new schools.² NCOESC received 15 applications for conversion schools for the 2013-2014 school year. Of these 15, all entered into preliminary agreements. NCOESC noted during its opening assurances site visit that Learning Innovation Academy did not meet the minimum student full-time equivalent required by law and as such was precluded from opening. A second school, Campbell School for Girls, recognized it would not secure sufficient enrollment and proposed to NCOESC it not open with which NCOESC concurred. In addition, a third school, Directional Academy, was unable to meet all opening assurance requirements and NCOESC prohibited them from opening. As a result, only 12 of the 15 approved schools opened. As of the end of the Period, eight of the schools remained opened, and four were suspended.

We selected 10 new conversion schools for examination. Of those 10, each had a signed preliminary agreement on file. However, only three of the preliminary agreements were submitted to OCS within 10 business days of execution. Five were submitted past the deadline and two were not submitted to OCS. Within each of the 10 schools' applications, there existed organizational plans, bylaws, curriculum information, goals, special education services, and financial plans.

Sponsorship contracts were enacted for all 10 schools we examined and were submitted to ODE. Each of the schools provided detailed educational plans including organizational management, oversight, bylaws, curriculum, special education services and financial plans.

NCOESC conducted opening assurance site visits for eight of the 10 schools prior to their opening dates, and the opening assurances forms were completed and submitted to OCS as required. The remaining two schools did not open; therefore, opening assurances forms were not required.

ST ALOYSIUS ORPHANAGE

During the Period, SAO contracted with Charter School Specialists (CSS), a private, for-profit company, to provide sponsorship services on their behalf, including but not limited to reviewing and making recommendations of community school proposals to SAO, negotiating contracts with sponsored community schools, developing and implementing compliance assessments for all sponsored community schools and monitoring, evaluating and reporting on all community schools sponsored by SAO.

CSS had comprehensive written procedures for evaluating community schools seeking sponsorship. These procedures included use of a rubric identifying 12 key criteria each of which was evaluated by the review team.

SAO and CSS received 14 applications for sponsorship for the 2013-2014 school year. These 14 applications were for 25 schools in total. We did not identify any exceptions to the written evaluation procedures established by CSS. Ten schools were approved and opened in the fall of 2013. Of those 10, all had signed preliminary and final contracts submitted to ODE. Two of the schools remained open as of December 31, 2013, and eight were suspended in October 2013 due to financial and enrollment issues. Of the other 15 schools that applied for charter, eight were denied during the initial application review process. Three of the schools merged to become East Preparatory Academy which was one of the schools approved and opened in the fall of 2013. The remaining four schools received preliminary approval but not a final charter contract from SAO.

CSS performed opening assurance site visits with each of the community schools to ensure the school maintained documents in compliance with established statutes and rules. These opening assurances documents were submitted to OCS as required.

² NCOESC developed a more formal application process subsequent to our audit period; however, because it was developed outside the Period, we did not review or evaluate it.

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NONCOMPLIANCE CITATION

Submission of Agreements – NCOESC

Ohio Rev. Code Section 3314.02 requires sponsors to submit to the department of education a copy of each preliminary agreement and community school contract executed, and any amendments or modifications thereto, within 10 business days of such execution.

NCOESC entered into 10 preliminary agreements with potential schools. Three of the 10 agreements were submitted to OCS within 10 business days. Five preliminary agreements were sent after the 10 business days and two were not sent. Failure to submit these preliminary agreements limits OCS's ability to review agreements and adequately document the number of preliminary agreements being executed. NCOESC should take the necessary steps to ensure all preliminary agreements are provided to OCS within 10 business days as required. Further, ODE should ensure all preliminary and final agreements are received prior to payment of ODE foundation money to any schools.

MANAGEMENT RECOMMENDATION

Sponsor Vetting of Proposed Schools

While Ohio law and ODE rules contain provisions governing community school sponsors' specific continuous monitoring duties and responsibilities of established community schools, they are devoid of such provisions or rules governing the sponsors' evaluation of *proposed* schools for academic viability and financial sustainability. Additionally, we noted Ohio law and ODE rules contain no defined objective minimum standards which proposed schools must meet to demonstrate academic and financial sustainability.

We found varied approaches among the sponsors examined ranging from basic evaluation of ability to get started to robust evaluation of all aspects of the proposed school's operation. The lack of uniform defined duties and responsibilities during the evaluation process creates inconsistencies in the degree to which proposed schools are evaluated. The lack of defined objective minimum standards increases the risks of academic and financial failure.

Without the implementation of at least a minimum set of objective standards to qualify the academic viability and financial sustainability of a proposed school, parents seeking an alternative to their current educational situation have little assurance of success and education dollars are needlessly placed at risk by investing in endeavors that have not been sufficiently vetted. Many developers of new community schools rightly focus on innovating education delivery to better serve and educate students. However, a school's financial sustainability is equally important so as to not cause disruption in the learning process due to school closings or suspensions resulting from financial distress. While we understand more stringent financial requirements will likely cause some viable academic plans to be delayed or rejected, the need to ensure effective use of education dollars through community schools' continuous operation outweighs that concern.

Prudent investment of tax payers' education dollars could be greatly enhanced through more uniform application evaluation and a minimum set of objective standards. We recommend the Ohio legislature, through the enactment of statutes, and the ODE, through development of appropriate rules, establish defined duties and responsibilities and minimum objective academic and financial standards for sponsors to evaluate proposed schools. For example, statutes and rules should include provisions requiring sponsors to establish written procedures for evaluating applications for sponsorship from prospective schools. ODE should monitor compliance with the standards to ensure their adherence for all new schools considered prior to distributing state funding.

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Objective No. 2 Potential Conflicts of Interest

PROCEDURES

We obtained an understanding of the organizational structure and operational relationships among sponsoring organizations, start-up and/or conversion community schools, management companies, and other organizations that provide professional services to the parties to assess whether there was evidence of an improper interest in a public contract.

RESULTS

The following tables identify the structure and relationships of the parties involved for each of the schools NCOESC, SAO, and WCESC agreed to sponsor for the 2013-2014 school year. "N/A" indicates the school did not have a management company.

Schools sponsored by NCOESC:

School	Related Party Mgmt. Company	Sponsor Contracted Additional Services	Fee For Contracted Additional Services	Amount Paid – All Services
Albert Einstein Academy for Letters, Arts and Sciences-Ohio	N/A	IEP Reviews	\$53.36/hour+\$35/day meal & mileage	\$124,642
		Fiscal Services ³	\$2,800/month	
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer ⁴	\$1,125/month	
		EMIS/SOES Reporting	\$1,250/month	
Barnett Academy of Columbus-East	Yes	Student Enrollment Software	\$1,500 customized package + \$70/hour for additional customization	\$0
Berwyn East Academy	N/A	Fiscal Services	\$2,500/month	\$122,643
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
		Marketing	Not to exceed \$7,500	
		Computer Equip & Supp Lies	\$6,909	

³ These services were terminated effective November 1, 2013.

⁴ See footnote No. 3.

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Campbell School for Girls	N/A	Personnel Services	105% of employee(s) assigned to school	\$0
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
		CCIP Consultant	\$3,150 for FY 2014	
Celerity Tenacia Charter School	Yes	Fiscal Services	\$2,500/month	\$22,444
		Fiscal Officer	\$1,125/month	
		Occupational Therapy	\$96.60/hour	
		Speech Therapy	\$99.75/hour	
Directional Academy	Yes	None	None	\$0
First Time Learners Academy	N/A	Fiscal Services	\$2,500/month	\$85,523
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
		Phone System	\$6,893	
		Marketing	Not to exceed \$4,200	
Hope Learning Academy of Toledo	N/A	Fiscal Services	\$2,000/month	\$158,298
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
		Computer Network	\$25,740	
		Education Training	\$134	
Imagine Columbus Primary School	Yes	None	None	\$0
Imagine Leadership Academy	Yes	None	None	\$0
Learning Innovation Academy	N/A	Fiscal Services	\$2,000/month	\$0
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
		Marketing	Not to exceed \$5,000	
Rise & Shine Academy	N/A	Fiscal Services	\$2,800/month	\$63,027
		Personnel Services	105% of employee(s) assigned to school	
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,250/month	

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Secor Gardens Academy	N/A	None	None	\$0
Talented Tenth Leadership Academy for Boys	N/A	Fiscal Services	\$2,000/month	\$22,500
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	
Talented Tenth Leadership Academy for Girls	N/A	Fiscal Services	\$2,000/month	\$18,500
		Fiscal Officer	\$1,125/month	
		EMIS/SOES Reporting	\$1,000/month	

Schools sponsored by SAO:

School	Related Party Mgmt. Company	Sponsor Contracted Additional Services	Fee For Sponsor Contracted Additional Services	Amount Paid – All Services
East Preparatory Academy	No	None	None	\$0
Franklinton Preparatory Academy	N/A	None	None	\$0
Olympus High School Columbus East	Yes ⁵	Fiscal Services ⁶	\$1,000/month	\$3,000
Olympus High School Columbus Northeast	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Columbus Southwest	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Columbus West	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Dayton Central	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Dayton East	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Dayton Northwest	Yes	Fiscal Services	\$1,000/month	\$3,000
Olympus High School Dayton Southwest	Yes	Fiscal Service	\$1,000/month	\$3,000

⁵ One management company operated all of the Olympus Schools. The management company was incorporated by the same individual who incorporated the Olympus Schools.

⁶ For all Olympus Schools the fiscal services were contracted for directly with CSS and not SAO.

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School sponsored by WCESC:

School	Related Party Mgmt. Company	Sponsor Contracted Additional Services	Fee For Contracted Additional Services	Amount Paid – All Services
Ohio Construction Academy	N/A	Fiscal Agent	5% of total revenue	\$4,794
		EMIS Coordinator	1% of total revenue	

We selected schools from each of the three sponsors and identified significant organizations and individuals within those organizations which represented the various parties in the respective relationships. As part of Objective 3 we examined payments to those we identified. We noted no instances or evidence of an improper interest in a public contract that was specifically prohibited by law or payments contrary to the contractual relationships among the parties. Where sponsors are paid for additional services provided to the very schools they are required to oversee there is potential conflict.

MANAGEMENT RECOMMENDATION

Potential Conflicts of Interest

Ohio laws permit various methods of structuring relationships among community schools, developers, sponsors, and management companies. Ohio laws also permit parties to serve in multiple roles within those relationships. For instance, Ohio laws permit sponsors to contract with the community schools they sponsor for various administrative services which as sponsor, they are required to monitor. Ohio laws also permit school developers to own management companies which operate the schools they developed. With each role there typically exists a financial incentive for being in the relationship. Sponsors receive sponsorship fees, management companies receive management fees, and professional services providers receive fees for their services. When sponsors provide professional services to the schools they sponsor and oversee, there is a potential to influence the sponsors' judgment related to the monitoring activities they are required to perform.

We recommend the legislature examine current statutes governing the organizational and operational relationships among sponsors, management companies, developers and those that provide professional services to community schools. The legislature should ensure those statutes are consistent with its positions on adequate disclosure of potential conflicts of interests among the parties and transparency on the use of public funds by the parties involved.

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Objective No. 3

Use of Funds by Schools, Sponsors and Management Companies

PROCEDURES

We obtained an understanding of the flow of state foundation and other funding from the Ohio Department of Education to the start-up or conversion community school, the sponsor, and the management company.

We examined documentation supporting certain disbursements by the start-up and conversion community schools and by the management companies, on-behalf of the community school where applicable.

RESULTS

WARREN COUNTY EDUCATIONAL SERVICE CENTER

WCESC and OCA entered into a contractual agreement for WCESC to act as fiscal agent for OCA, using the WCESC treasurer as OCA's fiscal officer. ODE monthly foundation payments were electronically deposited to OCA's bank account. WCESC, as fiscal agent for OCA, approved expenditures for payment and issued checks accordingly.

During the Period, WCESC issued 22 disbursements totaling \$141,960 on behalf of OCA. We selected 12 of these disbursements totaling \$109,510 and reviewed the supporting documentation and the cancelled checks. We determined each expense was supported by documentation and for a proper public purpose.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

We reviewed the process of receiving ODE foundation funds for 10 of the new community schools. Monthly foundation payments were electronically deposited into five of the 10 schools' bank accounts. The remaining schools received paper checks. We noted ODE issued payments to all three of the schools which did not open; however, those payments were recovered by ODE for two of the three schools. The third school, Directional Academy, which did not open, received foundation money which as of the date of this report ODE was attempting to recover, and for which a finding for recovery was issued as part of the Auditor of State's June 30, 2014 audit report of the State of Ohio, in Finding 2014-003, in favor of the Ohio Department of Education.

We examined certain expenditures at seven of the new schools sponsored by NCOESC. These seven schools, one of which had a management company making expenditures on behalf of the school, had 306 expenditures totaling \$1,822,963, not including the management company activity. We tested 258 expenditures totaling \$1,780,824 and determined 52 expenditures totaling \$27,315 were not supported by documentation. We concluded 24 of the 52 expenditures totaling \$4,802 were not for purposes related to the schools and we issued Findings for Recovery for these items. For significant undocumented expenditures totaling \$20,699 we contacted payees and vendors and obtained documentation or corroborating information supporting the expense was for a proper public purpose. For the remaining \$1,064 in expenses, we were able to complete alternative procedures to determine they were for a proper public purpose. For more specific results of the seven schools reviewed, please refer to Appendix D of this report.

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As noted above, one of the schools sponsored by NCOESC, Imagine Leadership Academy, had a management company making expenditures on their behalf. During the Period, the management company issued 136 expenditures totaling \$277,593, on behalf of Imagine Leadership Academy. We reviewed 59 expenditures and determined all of them were supported and for a proper public purpose.

ST. ALOYSIUS ORPHANAGE

We examined all 10 of the new schools sponsored by SAO. With regard to the eight Olympus High Schools, foundation payments from ODE were electronically deposited into each school's segregated bank account. These accounts paid operating expenses, including sponsor fees to SAO and contractual payments to CSS. Remaining funds in these accounts were paid to the management company, Education Innovation International.

The other two schools, East Preparatory Academy and Franklinton Preparatory Academy, also had ODE foundation payments electronically deposited to their separate bank accounts. Funds were paid out of these accounts for general operating expenses as well as sponsor fees to SAO. Additionally, East Preparatory Academy made one payment to its management company during the Period, and was carrying a liability for the balance of payments due as of December 31, 2013.

We examined certain expenditures at 10 of the schools sponsored by SAO. These 10 schools had 347 expenditures totaling \$1,432,630, not including the management company activity, and of these, we examined 198 expenditures totaling \$1,150,322. The direct expenditures of the schools were all supported and determined to be for a purpose related to the schools.

Education Innovation International, the management company for the Olympus schools, made 248 expenditures totaling \$720,205 on behalf of the Olympus schools. We examined 56 of the expenditures totaling \$453,006, and noted no reportable items. For specific results of the 10 schools reviewed, please refer to Appendix E of this report.

FINDINGS FOR RECOVERY

Abdalla Kassim, Director of First Time Learners Academy (Sponsored by NCOESC)

Examination of First Time Learners Academy bank account activity disclosed the use of a debit card by the Director of the Academy, Abdalla Kassim. Abdalla Kassim also used the debit card at ATM machines to make cash withdrawals for which no corresponding receipts were maintained to support the cash expenditures. Abdalla Kassim made eight cash withdrawals from the First Time Learners Academy bank account totaling \$860. In addition, Abdalla Kassim made 14 debit card purchases, totaling \$867, that could not be supported with underlying supporting documentation. There also was no documentation to support the payments were otherwise for a proper public purpose. Abdalla Kassim was in possession of the only debit card for the bank account.

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 Abdalla Kassim in the amount of \$1,727 in favor of the Ohio Department of Education, since First Time Learners Academy is closed.

Andre' Tucker, Director of Talented Tenth Leadership Academies (Sponsored by NCOESC)

Andre' Tucker, Director, received a check from each academy made payable to him personally in the amounts of \$1,125. It was asserted the checks were to reimburse Mr. Tucker for certain expenses he incurred personally on-behalf of the school; however, no documentation was presented or available to support that assertion. Additionally, Mr. Tucker received \$825 in cash from an employee from two checks Mr. Tucker directed the academies' treasurer to make payable to the employee personally, and directed the employee to cash and provide Mr. Tucker the money. Mr. Tucker asserted to the employee

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the money was to purchase meals for students; however, no documentation was presented or available to support that assertion.

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 Andre' Tucker in the amount of \$3,075 in favor of the Ohio Department of Education since the Talented Tenth Leadership Boys and Girls Academies are closed.

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Objective No. 4 Continuous Sponsor Monitoring Activities

PROCEDURES

We obtained an understanding of the sponsors' continuous monitoring activities and examined documentation supporting the sponsors performed continuous monitoring of their sponsored schools in accordance with applicable statutes and rules.

RESULTS

Ohio Revised Code Section 3314.19 requires sponsors to conduct a Sponsor Assurance Visit no later than 10 business days prior to the opening date for each school. In addition to the opening visit, Ohio Administrative Code Section 3301-102-05(A)(2)(a) requires sponsors to conduct comprehensive site visits to the community school as necessary, but at least twice annually while classes are in session.

Ohio Administrative Code Section 3301-102-05(A)(2)(b) requires sponsors to make written reports of all information obtained during site visits, and provide written reports of all site visits to ODE upon request.

Ohio Revised Code Section 3314.023 requires a representative of the sponsor of a community school to meet with the governing authority or treasurer of the school and review the financial and enrollment records of the school at least once every month. Sponsors are not required to use a specific format for documenting these meetings; however, ODE encourages sponsors to "develop monthly financial review tools to meet the unique needs of each community school they sponsor. The tools are required, at a minimum, to include items which address all laws and rules applicable to the community school's fiscal, academic and operational performance and terms of the community schools' contract."

Ohio Administrative Code Section 3301-102-05(A)(3) requires the sponsor to evaluate the academic and fiscal performance of each sponsored school, and submit a written report of the evaluation results to the parents of students enrolled in the community school and to ODE by November thirtieth of each year.

Ohio Administrative Code Section 3301-102-05(A)(7) requires the sponsor to have in place a written plan of action to be undertaken in the event the community school experiences financial difficulties or closes prior to the end of a school year.

WARREN COUNTY EDUCATIONAL SERVICE CENTER

We reviewed continuous monitoring procedures related to all four schools WCESC sponsored during the Period. For required biannual visits WCESC completed and maintained the "Sample Sponsor Biannual Onsite Visit Form" prescribed by ODE for each school sponsored. WCESC documented the items they reviewed and the date for each requirement on the form; however, WCESC did not document who performed the review. WCESC asserted a representative also conducted monthly visits at which financial and enrollment information was reviewed and discussed. However, detailed written reports for the period were not completed for Greater Ohio Virtual School, Ohio Construction Academy, and Akron Digital Academy; and for only five months for Imagine Woodbury Academy.

Additionally, WCESC used the standard opening assurances form prescribed by ODE; however, the form did not contain a field for recording the date of the visit and WCESC was unable to provide an alternate source for the dates of the visits. WCESC also did not record who performed the review, the type of information and documentation observed during the opening assurances site visit, and evidence of supervisory review and approval.

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WCESC evaluated each school's performance and submitted the required reports to parents and to ODE, and WCESC also maintained a written plan of action in the event of a school closure. For specific results of our examination of the WCESC sponsored schools, please refer to Appendix G of this report.

NORTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER

We selected four of eight ongoing schools sponsored by NCOESC for review of continuous monitoring procedures. Two site visits were performed annually for each school reviewed. Comprehensive written reports were prepared as required and NCOESC met with the applicable governing boards or treasurers each month to review financial and enrollment records. We also selected 10 of 15 new schools sponsored by NCOESC for review of the opening assurance visits, conducted prior to their opening dates, and the opening assurances forms were completed as required.

NCOESC performed monthly monitoring of each school sponsored through a review of budgets, forecasts, and financial information. NCOESC communicated with each school through attending board meetings, other meetings with school personnel, site visits, email, and telephone calls. NCOESC evaluated each school's performance and submitted the required reports to parents and to ODE, and NCOESC also maintained a written plan of action in the event of a school closure.

Of the 10 new applicant schools examined, three were not approved to open by NCOESC. For Learning Innovation Academy, NCOESC noted during its opening assurances site visit that the school did not meet the minimum student full-time equivalent required by law and as such was precluded from opening. A second school, Directional Academy, was unable to meet all opening assurance requirements and NCOESC prohibited the school from opening. For a third school, the governing board for Campbell School for Girls recognized it could not secure sufficient enrollment and proposed to NCOESC it not open and NCOESC concurred.

We also selected for examination four new schools suspended from operation. NCOESC performed the opening assurances site visit at First Time Learners Academy on August 5, 2013. NCOESC examined records maintained by the school, including projected student enrollment, admission policies and procedures, EMIS/SOES coordinators, Board approved treasurer, and 5 year forecast and fiscal spending plan. NCOESC reviewed the budget and forecast to ensure the enrollment and expenditures appeared reasonable and complete. During their visit, NCOESC noted the school had difficulty obtaining the certificate of occupancy, fire, and health and safety inspections, which delayed the start of school by one day. The school provided NCOESC with the necessary documents and was declared ready to open on August 21, 2013.

The school encountered several issues, including extensive renovation costs for the school building, enrollment fluctuations, lack of adequate funding, and staff and administration retention. Fluctuations in enrollment and lack of adequate funding greatly affected the schools fiscal position. Teacher and staff salaries could not be paid, the school's principal resigned, and contracted service obligations could not be met. NCOESC provided continuous communication and oversight during this period, including six site meetings and five additional meetings with school administrators and board members. On November 14, 2013, NCOESC notified the school of their intent to suspend and gave the school five days to submit a corrective action plan. NCOESC did not approve the plan and officially placed the school in suspension on December 6, 2013.

NCOESC completed the opening assurances site visit of Barnett Academy of Columbus East on August 2, 2013. NCOESC examined records maintained by the school, including projected student enrollment, admission policies and procedures, EMIS/SOES coordinators, Board approved treasurer, and 5 year forecast and fiscal spending plan. NCOESC reviewed the budget and forecast to ensure the enrollment and expenditures appeared reasonable and complete. NCOESC identified incomplete records, including missing BCII/FBI background checks for the new Board members, bond certificate for the treasurer, policies for Ohio Privacy laws, and Special Education and Technology plans. Total enrollment was only 21 students at the time of the opening visit. Barnett Academy addressed the findings timely

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and provided NCOESC with the necessary documents. NCOESC reviewed the documents submitted and declared the school ready to open on August 20, 2013.

NCOESC provided continuous communication and oversight to Barnett Academy, including four site meetings and four additional communications with school administrators and board members. During a site visit on October 22, 2013, NCOESC addressed concerns with the Academy's financial position. The school's efforts to increase enrollment had not been successful. The Academy could not pay teachers and staff, as well as vendors and other contracted services. In addition, the financial challenges led to a loss of qualified teachers. NCOESC notified the Academy on November 14, 2013 of their intent to suspend. The Academy's governing board agreed and voluntarily closed the school on November 15, 2013. NCOESC's Governing Board officially suspended Barnett Academy of Columbus East in December 2013.

NCOESC also performed the opening assurances site visit at Talented Tenth Leadership Academy for Boys and Girls on September 9, 2013. NCOESC examined records maintained by the school, including projected student enrollment, admission policies and procedures, EMIS/SOES coordinators, Board approved treasurer, and 5 year forecast and fiscal spending plan. NCOESC reviewed the budget and forecast to ensure the enrollment and expenditures appeared reasonable and complete. Each Academy had several missing documents necessary for opening, including missing BCII/FBI background checks for the new Board members, identification of statutory agent, mission statement and organizational chart, and student medication policies. NCOESC confirmed 41 projected students enrolled at the Girl's Academy and 53 projected students enrolled at the Boy's Academy. Each school provided the necessary documents timely to NCOESC and each were approved to open on September 25, 2013.

Each school encountered difficulties beginning on the first day of school. The facility management denied the Girl's Academy students access to the building and were transported to the Boy's Academy building for the first day of school. After a temporary restraining order was filed, the Academy gained access to the facility on September 26, 2013. On October 8, 2013, a temporary agreement was reached between the facilities management and each Academy until both schools could relocate to other facilities. In addition, the caterer hired to serve lunches to each Academy refused service. Several teachers were threatened by students and resigned. There were reports of student fights, unsupervised students, and altercations between students and other tenants at the school facilities building. NCOESC provided continuous communication and oversight, including eight site visits, and numerous telephone calls and emails after each school opened. On October 15, 2013, NCOESC identified only 27 girls and 16 boys enrolled and in attendance. NCOESC notified the Talented Tenth Leadership Academy for Boys and Girls of their intent to suspend on October 17 and 18, 2013. Each Academy provided a corrective action plan on October 29, 2013; however, NCOESC did not accept the corrective action plans and each Academy formally closed on November 6, 2013.

For specific results of our examination of the NCOESC sponsored schools, please refer to Appendix H of this report.

ST. ALOYSIUS ORPHANAGE

CSS performed two site visits per year for each of the community schools sponsored by SAO, once in the fall and again in the spring. We selected seven of 49 open community schools sponsored by SAO for examination. We noted CSS completed assessment forms to document the results of the site visits for each of the schools; however, CSS did not clearly document the dates of the site visits.

After completing the fall and spring site assessments, CSS communicated the results of the visits to the appropriate school's governing authority. We noted results of the 2012 fall assessment visits were not communicated timely to the seven schools examined. CSS procedures indicated the fall-assessment site reviews should be completed during September and October 2012, and communication with the Board President, all board members, the treasurer and counsel should occur in November 2012. However, the site reviews were not completed until November 2012 and the results were communicated

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up to 130 days after completion.

For one school examined, board meetings were held every two months, rather than monthly. We noted CSS went to each of those board meetings and reviewed the financial and full-time enrollment (FTE) information with the governing authority. For the months when a board meeting was not scheduled, we were provided with email correspondence between CSS and the community school and governing board. The correspondence included discussions regarding financial information; however, FTE enrollment information was not identified. CSS attended monthly board meetings for each of the other six schools examined.

CSS used the standard opening assurances form prescribed by ODE. The form did not contain fields to record the visit date, who performed the review, the type of information and documentation observed during the opening assurances site visit, and evidence of supervisory review and approval. CSS was able to provide calendar printouts of when the opening assurance site reviews were scheduled.

CSS evaluated each school's performance and submitted the required reports to parents and to ODE, and CSS also maintained a written plan of action in the event of a school closure.

We also selected the 10 new schools sponsored by SAO for review of the opening assurances visits, conducted prior to their opening dates, and the opening assurances forms were completed as required. CSS' continuous monitoring procedures included a detailed examination of monthly fiscal reports, including cash flow activity, check register, cash reconciliations, accounts payable aging reports, and outstanding purchase order detail, and enrollment records. CSS reviewed and compiled each school's financial and enrollment information and presented the financial status at each school's monthly board meetings.

Of the 10 new schools examined, eight Olympus schools were suspended from operations on October 18, 2013. CSS completed the opening assurances site visit at each Olympus school in September 2013. CSS examined projected student enrollment to ensure a minimum of 50 students were enrolled. Each school's charter required a minimum of 50 students, while state law required a minimum of 25. A few Olympus schools had difficulty finalizing the renovation of their buildings and did not timely receive the fire, health and safety inspections. CSS worked with each school to ensure all opening requirements were met. Three Olympus schools opened on September 17, 2013 and the remaining five Olympus schools opened on September 30, 2013. In addition, during the application process, CSS examined the annual budget and five year projected forecast submitted by the Olympus schools. The eight schools submitted a basic budget and five year forecast and included projected enrollment and revenues, and general school related expense categories. In their review of the budget forecast, CSS indicated the enrollment figures seemed ambitious; however, noted the expenses followed revenue projections. Therefore, CSS determined the budget and forecast met their criteria.

All eight schools encountered enrollment issues soon after opening. CSS performed a site visit on October 2, 2013 and monitored each school's enrollment and financial situation. During the opening assurance visits in September, the eight schools identified a projected student enrollment of 452. However, CSS only identified a total of 124 students in attendance during the site visits. On October 7, 2013, CSS determined each school did not meet the charter or statutory minimum enrollment requirements and had insufficient funds to support continued school operations and provided each school with a notice of intent to suspend. The schools management company, Education Innovations International, provided a corrective action plan on October 14, 2013; however, the plan failed to address how they would meet the enrollment requirements and maintain sufficient funds to operate the schools. The eight Olympus schools were suspended from operations on October 18, 2013.

For specific results of the SAO schools examined, please refer to Appendix I of this report.

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NONCOMPLIANCE CITATIONS

Meetings with Governing Board - SAO

Ohio Rev. Code Section 3314.023 requires a representative of the sponsor of a community school to meet with the governing authority or treasurer of the school and review the financial and enrollment records of the school at least once every month.

For one of seven schools examined, the sponsor's representative reviewed the financial information each month; however, did not always review the enrollment records. CSS maintained documentation supporting a sponsor representative attended regular board meetings, scheduled every other month, and reviewed the financial and full time equivalent (FTE) enrollment information with the governing authority. For months where a board meeting was not scheduled, CSS maintained email correspondence documenting discussions regarding financial information; however, FTE enrollment information was not documented as being discussed.

Without proper documentation maintained to support the monthly review of financial and enrollment records with community schools governing authority or treasurer, CSS cannot demonstrate it met the statutory requirements.

We recommend CSS maintain all documentation regarding the monthly review of financial and enrollment records with community school governing authorities or treasurers to ensure compliance with statutory requirements. We also recommend CSS closely evaluate the process in place to review community schools monthly financial and enrollment records, including when the community school's governing authority does not meet on a monthly basis and consider whether additional policies and procedures are warranted to ensure the rules and regulations are applied consistently and completely.

MANAGEMENT RECOMMENDATIONS

Five-Year Forecasts

Ohio Revised Code Section 3314.03 requires community schools to submit five-year forecasts in accordance with Ohio Revised Code Section 5705.391. The five-year forecasts are designed to assess risk for incurring debt and demonstrate the long-term viability of new community schools. The five-year forecasts submitted by the new community schools sponsored by WCESC, SAO, and NCOESC varied considerably. The forecasts tended to provide minimal detail regarding the schools' financial viability and often included optimistic assumptions about student attendance. In addition, many were prepared without the guidance of a licensed treasurer who has expertise in preparing these documents.

Failure to provide a robust five-year forecast and engage a licensed treasurer could put the community school at risk of incurring a deficit within the first few years in operation.

We recommend sponsors and community schools ensure a new community schools five-year forecast provide detailed projections of operational revenues, expenditures, and estimated student attendance, and is created with the guidance of a licensed school treasurer. We also recommend sponsors thoroughly review the five-year forecast prior to the school's opening. The review should be properly documented to ensure all detailed information is included.

Opening Assurances Visit – SAO and WCESC

WCESC and CSS on behalf of SAO performed site visits of each sponsored community school to ensure the school was in compliance with ORC and OAC requirements. WCESC and CSS documented the visit on the standard opening assurances form provided by ODE; however, the forms alone did not contain documentation supporting when the site visit occurred, who performed the visit, the type of information observed and verified, and any supervisory review and approval.

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Failure to maintain documentation supporting the completion of the opening assurance site visit results in the sponsor being unable to clearly demonstrate it complied with monitoring requirements.

We recommend WCESC and CSS continue to develop and enhance their opening assurance site visit process. These procedures could include, but not be limited to, creating a check list documenting the date of the opening assurance site visit, the person completing the review, and the documents observed. Supervisory reviews should be performed and documented to ensure the site visit was completed accurately and all requirements have been met.

Biannual Site Visits - SAO

Ohio Administrative Code 3301-102-05(A)(2)(a) requires sponsors to conduct comprehensive site visits to the community school as necessary, but at least twice annually while classes are in session. It is the sponsor's responsibility to implement policies and procedures to monitor community schools to help ensure they have complied with the rules and regulations related to the programs and have met contract obligations.

CSS performed two site visits for each of the community schools sponsored by SAO. CSS maintained documentation of the results of the fall and spring assessment site visit. However, CSS did not clearly document the date of the site visit on the fall or spring assessment form.

Without proper documentation maintained to support the completion of the fall and spring assessment site visits, SAO management cannot be reasonably assured site visits were completed.

We recommend CSS continue to develop and enhance their fall and spring assessment site visit process by documenting the date of the site assessment visit on the completed assessment form.

Monthly Visits - WCESC

WCESC asserted it performed monthly visits to the community schools they sponsored. However, detailed written reports for the period were not completed for Greater Ohio Virtual School, Ohio Construction Academy, and Akron Digital Academy. WCESC prepared five monthly visit reports for Imagine Woodbury Academy. Without documenting in a written report the information WCESC obtained and reviewed during their monthly visits they were unable to accurately report on all of the information they reviewed during their visits.

We recommend that the WCESC document in a written report all information they obtain and review during their monthly visits at the community schools and maintain those reports on file.

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Appendix A Schools Sponsored by NCOESC
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School	School Year Opened	School Status as of 12/31/2013	Date Closed or Suspended
Academy of Educational Excellence	2012-2013	Open	
Albert Einstein Academy for Letters, Arts and Sciences-Ohio	2013-2014	Open	
Barnett Academy of Columbus-East	2013-2014	Suspended	12/18/2013
Berwyn East Academy	2013-2014	Open	
Campbell School for Girls	2013-2014	Never Opened	7/19/2013
Celerity Tenacia Charter School	2013-2014	Open	
Directional Academy	2013-2014	Never Opened	9/12/2013
Educational Academy for Boys & Girls	2006-2007	Open	
First Time Learners Academy	2013-2014	Suspended	12/6/2013
Focus Learning Academy of Northern Columbus	2002-2003	Open	
Hardin Community School	2010-2011	Open	
Hope Learning Academy of Toledo	2013-2014	Open	
Imagine Columbus Primary School	2013-2014	Open	
Imagine Leadership Academy	2013-2014	Open	
Lakeland Academy Community School	2009-2010	Open	
Learning Innovation Academy	2013-2014	Never Opened	9/30/2013
Midnimo Cross Cultural Community School	2006-2007	Open	
North Central Academy	2010-2011	Open	
Pschtecin Public School	2005-2006	Suspended	12/6/2013
Richland Academy School of Excellence	2010-2011	Open	
Rise & Shine Academy	2013-2014	Open	
Secor Gardens Academy	2013-2014	Open	
Talented Tenth Leadership Academy for Boys	2013-2014	Suspended	10/18/2013
Talented Tenth Leadership Academy for Girls	2013-2014	Suspended	10/18/2013

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Appendix B Schools Sponsored by SAO

School	School Year Opened	School Status as of 12/31/2013	Date Closed or Suspended
Academy of Arts and Sciences	2005-2006	Open	
Accelerated Achievement Academy of North Cincinnati	2011-2012	Open	
Akros Middle School	2010-2011	Open	
Arts & College Preparatory Academy	2002-2003	Open	
Arts and Science Preparatory Academy	2005-2006	Open	
Bella Academy of Excellence	2009-2010	Open	
Broadway Academy	2011-2012	Open	
C.M. Grant Leadership Academy	2008-2009	Open	
Cincinnati College Preparatory Academy East	2011-2012	Open	
Cliff Park High School	2001-2002	Open	
Colonial Preparatory Academy	1998-1999	Open	
Constellation Schools: Eastside Arts Academy	2011-2012	Open	
Cornerstone Academy Community	2000-2001	Open	
East Preparatory Academy	2013-2014	Open	
Edge Academy, The	1999-2000	Open	
Educational Academy for Boys & Girls	2006-2007	Open	
Franklinton Preparatory Academy	2013-2014	Open	
Green Inspiration Academy	1998-1999	Open	
Groveport Community School	2006-2007	Open	
Harrisburg Pike Community School	2008-2009	Open	
Harvard Avenue Community School	2006-2007	Open	
Hope Academy Northcoast	2002-2003	Open	
Invictus High School	1999-2000	Open	
Klepinger Community School	2008-2009	Open	
Lake Erie International High School	2002-2003	Open	
Life Skills Center of Columbus North	2006-2007	Open	
Life Skills Center of Columbus Southeast	2004-2005	Open	
Life Skills Center of Dayton	2005-2006	Open	
Life Skills Center of Elyria	2001-2002	Open	
Life Skills Center Of Summit County	2003-2004	Open	
Life Skills Center-Middletown	2001-2002	Open	
Life Skills Center-Springfield	2001-2002	Open	
Life Skills Ctr Of Cincinnati	1999-2000	Open	

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School	School Year Opened	School Status as of 12/31/2013	Date Closed or Suspended
Life Skills Ctr Of Youngstown	1999-2000	Open	
Life Skills High School of Cleveland	2012-2013	Open	
Life Skills Of Northeast Ohio	2003-2004	Open	
Life Skills Of Trumbull County	2000-2001	Open	
Lincoln Preparatory School	1999-2000	Open	
Madison Avenue School of Arts	2008-2009	Open	
Mansfield Preparatory Academy of Excellence	2006-2007	Open	
Marshall High School	2001-2002	Open	
Middlebury Academy	1998-1999	Open	
Midnimo Cross Cultural Community School	2006-2007	Open	
Olympus High School Columbus East	2013-2014	Suspended	10/18/2013
Olympus High School Columbus Northeast	2013-2014	Suspended	10/18/2013
Olympus High School Columbus Southwest	2013-2014	Suspended	10/18/2013
Olympus High School Columbus West	2013-2014	Suspended	10/18/2013
Olympus High School Dayton Central	2013-2014	Suspended	10/18/2013
Olympus High School Dayton East	2013-2014	Suspended	10/18/2013
Olympus High School Dayton Northwest	2013-2014	Suspended	10/18/2013
Olympus High School Dayton Southwest	2013-2014	Suspended	10/18/2013
Steve Sanders Academy	2011-2012	Suspended	8/17/2012
Sullivant Avenue Community School	2008-2009	Open	
The Haley School	2012-2013	Open	
Towpath Trail High School	1999-2000	Open	
UBAH Math & Reading Academy	2012-2013	Open	
West Preparatory Academy	2001-2002	Open	
Zenith Academy East	2010-2011	Open	
Academy of New Media Middle School	2011-2012	Closed	8/16/2013
Crittenton Youth Academy (Directions for Youth Community School)	2002-2003	Closed	6/30/2013
Education Academy at Linden	2006-2007	Closed	7/1/2013
Hope Academy East Campus	2003-2004	Closed	6/30/2013
ISUS Institute of Health Care	2004-2005	Closed	6/30/2013
Steve Sanders Academy	2011-2012	Suspended	8/17/2012
World Collegiate Preparatory School	2001-2002	Closed	7/1/2013

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Appendix C Schools Sponsored by WCESC

School	School Year Opened	School Status as of 12/31/2013	Date Closed or Suspended
Akron Digital Academy ⁷	2002-2003	Open	
Greater Ohio Virtual School	2004-2005	Open	
Imagine Woodbury Academy	2011-2012	Open	
Ohio Construction Academy	2013-2014	Open	

Appendix D Expenditure Test of Schools Sponsored by NCOESC
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School	Total Expenditures		Tested Expenditures		Total Unsupported		Not for Public Purpose	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Barnett Academy of Columbus East	78	\$105,846	64	\$92,744	-	\$0	-	\$0
Celerity Tenacia Charter School	18	\$151,724	18	\$151,724	-	\$0	-	\$0
First Time Learners Academy	93	\$246,602	93	\$246,602	38	\$23,490	20	\$1,727
Hope Learning Academy of Toledo	64	\$261,095	32	\$232,669	-	\$0	-	\$0
Imagine Leadership Academy	156	\$1,263,338	79	\$1,219,913	-	\$0	-	\$0
Talented Tenth Leadership Academy for Boys	17	\$38,515	16	\$38,201	7	\$1,912	2	\$1,537
Talented Tenth Leadership Academy for Girls	16	\$33,436	15	\$33,139	7	\$1,913	2	\$1,538
Total	442	\$2,100,556	317	\$2,014,992	52	\$27,315	24	\$4,802

⁷ Akron Digital Academy was originally sponsored by Akron City School District. WCESC entered into its sponsorship contract with Akron Digital Academy July 1, 2013.

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Appendix E Expenditure Test of Schools Sponsored by SAO

School	Total Expenditures		Tested Expenditures		Total Unsupported		Not for Public Purpose	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
East Preparatory Academy	113	\$240,841	60	\$154,098	0	\$0	0	\$0
Franklinton Preparatory Academy	129	\$373,320	33	\$177,755	0	\$0	0	\$0
Olympus High Schools ⁸	353	\$1,538,674	161	\$1,271,475	0	\$0	0	\$0
Total	595	\$2,152,835	254	\$1,603,328	0	\$0	0	\$0

Appendix F Examination of Sponsor Continuous Monitoring Activities
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The following testing attributes were used in our examination of the sponsors' continuous monitoring activities under Objective No. 4. The attribute numbers correspond to the charts describing our results in Appendices G through I:

OAC 3301-102-05(A)(1) – Verification through site visit prior to the community school's opening for instruction and provision in writing of the annual assurances for each sponsored school no later than ten business days prior to the opening of the school as required by section 3314.19 of the Revised Code.

- 1 Was there documentation that a site visit was conducted prior to opening of the school? If yes, the date of visit is provided.
- 2 Was there documentation that written assurances were submitted to ODE? Provide date of transmittal to ODE.

ORC 3314.19 – The sponsor of each community school annually shall provide the following assurances in writing to the department of education not later than ten business days prior to the opening of the school:

Was there documentation that each of the following were considered, completed and/or evaluated during the site visit?

- 3.1 ORC 3314.19(A) – A current copy of the contract between the sponsor and the governing authority of the school was filed with the department, including any subsequent modifications to that contract.
- 3.2 ORC 3314.19(B) – The school submitted to the sponsor a plan for providing special education and related services to students with disabilities and demonstrated the capacity to provide those services in accordance with Chapter 3323. of the Revised Code and federal law.

⁸This includes all eight Olympus High Schools opened during the Period.

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- 3.3 ORC 3314.19(C) – The school had a plan and procedures for administering the achievement and diagnostic assessments prescribed by sections 3301.0710, 3301.0712, and 3301.0715 of the Revised Code.
- 3.4 ORC 3314.19(D) – School personnel had the necessary training, knowledge, and resources to properly use and submit information to all databases maintained by the department for the collection of education data, including the education management information system established under section 3301.0714 of the Revised Code in accordance with methods and timelines established under section 3314.17 of the Revised Code.
- 3.5 ORC 3314.19(E) – All required information about the school had been submitted to the Ohio education directory system.
- 3.6 ORC 3314.19(F) – The school would enroll at least the minimum number of students required by division (A)(11)(a) of section 3314.03 of the Revised Code in the school year for which the assurances were provided.
- 3.7 ORC 3314.19(G) – All classroom teachers were licensed in accordance with sections 3319.22 to 3319.31 of the Revised Code, except for non-certificated persons engaged to teach up to twelve hours per week pursuant to section 3319.301 of the Revised Code.
- 3.8 ORC 3314.19(H) – The school's fiscal officer was in compliance with section 3314.011 of the Revised Code.
- 3.9 ORC 3314.19(I) – The school had complied with sections 3319.39 and 3319.391 of the Revised Code with respect to all employees and that the school had conducted a criminal records check of each of its governing authority members.
- ORC 3314.19(J) – The school held all of the following:
- 3.10 (J)(1) – Proof of property ownership or a lease for the facilities used by the school.
- 3.11 (J)(2) – A certificate of occupancy.
- 3.12 (J)(3) – Liability insurance for the school, as required by division (A)(11)(b) of section 3314.03 of the Revised Code, that the sponsor considers sufficient to indemnify the school's facilities, staff, and governing authority against risk.
- 3.13 (J)(4) – A satisfactory health and safety inspection.
- 3.14 (J)(5) – A satisfactory fire inspection.
- 3.15 (J)(6) - A valid food permit, if applicable.
- 3.16 ORC 3314.19(K) – The sponsor conducted a pre-opening site visit to the school for the school year for which the assurances were provided.
- 3.17 ORC 3314.19(L) – The school designated a date it would open for the school year for which the assurances were provided that is in compliance with division (A)(25) of section 3314.03 of the Revised Code.
- 3.18 ORC 3314.19(M) – The school met all of the sponsor's requirements for opening and any other requirements of the sponsor.

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OAC 3301-102-05(A)(2)(a) – Conduct comprehensive site visits to the community school as necessary, but at least twice annually while classes are in session.

- 4 Was there documentation that at least two comprehensive site visits were conducted by the sponsor while classes were in session? Provide the dates of the visits.

OAC 3301-102-05(A)(2)(b) – Make written reports of all information obtained during site visits, and provide written reports of all site visits to the department upon request.

- 5 Was a comprehensive written report prepared for each site visit?

OAC 3301-102-05(A)(3) - Monitor and evaluate the academic and fiscal performance and the organization and operation as well as the legal compliance of the community school, and submit a written report of the evaluation results to the parents of students enrolled in the community school and to the department by November thirtieth of each year.

- 6 Was there documentation the sponsor's monitoring and evaluation processes?

- 7 Was a comprehensive written report prepared?

- 8 Was there documentation that the written report was submitted to parents and ODE? Provide date of transmittal.

OAC 3301-102-05(A)(7) – Have in place a written plan of action to be undertaken in the event that the community school experiences financial difficulties or closes prior to the end of a school year, consistent with requirements of division (E) of section 3314.015 of the Revised Code including, but not limited to, the handling of facilities, equipment, materials, supplies, employees, students, school records, which include student records that are consistent with section 3314.44 of the Revised Code, and address any other obligations of the community school and submit the written plan to the department upon request.

- 9 Was a comprehensive, written plan prepared that covers the items in (A)(7)?

ORC 3314.023 – In order to provide monitoring and technical assistance, a representative of the sponsor of a community school shall meet with the governing authority or treasurer of the school and shall review the financial and enrollment records of the school at least once every month.

- 10 Was there documentation that the sponsor met with the governing authority or treasurer of the school at least once a month?

- 11 If so, did the documentation contain information on the review of financial and enrollment records of the school?

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Appendix G

WCESC Monitoring – Continuing and New Schools

Test No.	2013 Continuing Schools			2013 New School
	Akron Digital Academy	Greater Ohio Virtual School	Imagine Woodbury Academy	Ohio Construction Academy
1	Y ⁹ (date not documented)	Y (date not documented)	Y (date not documented)	Y (date not documented)
2	Y (8/8/13)	Y (8/8/13)	Y (8/5/13)	Y (9/12/13)
3.1	Y	Y	Y	Y
3.2	Y	Y	Y	Y
3.3	Y	Y	Y	Y
3.4	Y	Y	Y	Y
3.5	Y	Y	Y	Y
3.6	Y	Y	Y	Y
3.7	Y	Y	Y	Y
3.8	Y	Y	Y	Y
3.9	Y	Y	Y	Y
3.10	Y	Y	Y	Y
3.11	Y	Y	Y	Y
3.12	Y	Y	Y	Y
3.13	Y	Y	Y	Y
3.14	Y	Y	Y	Y
3.15	n/a	n/a	n/a	n/a
3.16	Y	Y	Y	Y
3.17	Y	Y	Y	Y
3.18	Y	Y	Y	Y
4	Y 3/11,12,13, 19, 20, 24, 25/2014	Y 11/5/13; 12/10/13; 3/25/14	Y 10/9/13; 11/13/13; 12/3/13; 1/8/14	Y 12/2,3/13; 1/16/14
5	N ¹⁰	N	N	N
6	n/a – previously sponsored by Akron City SD	Y	Y	n/a – new school
7	n/a – previously sponsored by Akron City SD	Y	Y	n/a – new school
8	n/a – previously sponsored by Akron City SD	Y (9/30/13)	Y (date unknown)	n/a – new school
9	Y	Y	Y	Y
10	Y	Y	Y	Y
11	Y	Y	Y	Y

⁹Y= WCESC completed the required continuous monitoring requirement

¹⁰N = WCESC did not maintain detailed written reports documenting the information obtained and reviewed during the site visit

Supplement to the Special Audit Report

Appendix H

NCOESC Monitoring – Continuing and New Conversion Schools

Test No.	2013 New Conversion Schools			2013 Continuing Schools			
	Hope Learning Academy of Toledo	Celerity Tenacia Charter School	Imagine Leadership Academy	Academy for Educational Excellence	North Central Academy	Richland Academy School of Excellence	Lakeland Academy Community School
1	Y ¹¹ (9/5/13)	Y (9/16/13)	Y (8/12/13)	Y (8/19/13)	Y (8/19/13)	Y (8/19/13)	Y (8/30/13)
2	Y (9/5/13)	Y (9/16/13)	Y (8/12/13)	Y (8/19/13)	Y (8/19/13)	Y (8/19/13)	Y (8/30/13)
3.1	Y	Y	Y	Y	Y	Y	Y
3.2	Y	Y	Y	Y	Y	Y	Y
3.3	Y	Y	Y	Y	Y	Y	Y
3.4	Y	Y	Y	Y	Y	Y	Y
3.5	Y	Y	Y	Y	Y	Y	Y
3.6	Y	Y	Y	Y	Y	Y	Y
3.7	Y	Y	Y	Y	Y	Y	Y
3.8	Y	Y	Y	Y	Y	Y	Y
3.9	Y	Y	Y	Y	Y	Y	Y
3.10	Y	Y	Y	Y	Y	Y	Y
3.11	Y	Y	Y	Y	Y	Y	Y
3.12	Y	Y	Y	Y	Y	Y	Y
3.13	Y	Y	Y	Y	Y	Y	Y
3.14	Y	Y	Y	Y	Y	Y	Y
3.15	Y	Y	Y	Y	Y	Y	Y
3.16	Y	Y	Y	Y	Y	Y	Y
3.17	Y	Y	Y	Y	Y	Y	Y
3.18	Y	Y	Y	Y	Y	Y	Y
4	Y (11/5/13); (2/18/14)	Y (11/15/13); (3/21/14)	Y (10/16/13); (2/20/14)	Y (2/13/13); (5/21/13); (12/17/13); (2/18/14)	Y (2/28/13, 3/11/13); (5/8/13, 5/16/13); (11/11/13); (3/12/14)	Y (2/25/13); (5/9/13); (10/9/13); (2/26/14)	Y (2/19/13); (5/23/13); (11/13/13- 11/14/13); (3/10/14)
5	Y	Y	Y	Y	Y	Y	Y
6	n/a - New school	n/a - New school	n/a - New school	Y	Y	Y	Y
7	n/a - New school	n/a - New school	n/a - New school	Y	Y	Y	Y
8	n/a - New school	n/a - New school	n/a - New school	Y (11/22/13)	Y (11/22/13)	Y (11/22/13)	Y (11/22/13)
9	Y	Y	Y	Y	Y	Y	Y
10	Y	Y	Y	Y	Y	Y	Y
11	Y	Y	Y	Y	Y	Y	Y

¹¹Y - NCOESC completed the required continuous monitoring requirement

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Appendix I SAO Monitoring – Continuous Schools

2013 Continuous Schools							
Test No.	Accelerated Achievement Academy of North Cincinnati	C.M. Grant Leadership Academy	Cincinnati College Preparatory Academy East	The Haley School	Madison Avenue School of Arts	UBAH Math & Reading Academy (formerly New Citizens Academy)	Zenith Academy East
1	N1 ¹² (7/19/12)	N1 (7/30/12)	N1 (8/14/12)	N1 (8/21/12)	N1 (7/30/12)	N1 (9/12/12)	N1 (8/1/12)
2	Y ¹³ (7/23/12)	N2 ¹⁴ (8/9/12)	Y (8/21/12)	Y (8/21/12)	Y (8/9/12)	Y (9/13/12)	Y (8/8/12)
3.1	Y	Y	Y	Y	Y	Y	Y
3.2	Y	Y	Y	Y	Y	Y	Y
3.3	Y	Y	Y	Y	Y	Y	Y
3.4	Y	Y	Y	Y	Y	Y	Y
3.5	Y	Y	Y	Y	Y	Y	Y
3.6	Y	Y	Y	Y	Y	Y	Y
3.7	Y	Y	Y	Y	Y	Y	Y
3.8	Y	Y	Y	Y	Y	Y	Y
3.9	Y	Y	Y	Y	Y	Y	Y
3.10	Y	Y	Y	Y	Y	Y	Y
3.11	Y	Y	Y	Y	Y	Y	Y
3.12	Y	Y	Y	Y	Y	Y	Y
3.13	Y	Y	Y	Y	Y	Y	Y
3.14	Y	Y	Y	Y	Y	Y	Y
3.15	Y	Y	Y	Y	Y	Y	Y
3.16	Y	Y	Y	Y	Y	Y	Y
3.17	Y	Y	Y	Y	Y	Y	Y
3.18	Y	Y	Y	Y	Y	Y	Y
4	Y 11/5/2012 & 5/14/2013	Y 11/16/2012 & 5/3/2013	Y 11/16/2012 & 4/30/2013	Y 11/29/2012 & 5/9/2013	Y 11/12/2012 & 5/16/2013	Y 11/6/2012 & 4/24/2013	Y 11/8/2012 & 4/11/2013
5	N4 ¹⁵ 3/15/2013 & 7/1/13	N4 2/27/2013 & 6/13/13	N4 2/18/2013 & 6/27/13	N4 3/12/2013 & 6/27/13	N4 2/18/2013 & 6/25/13	N4 2/26/2013 & 6/12/13	N4 2/18/2013 & 6/12/13
6	Y	Y	Y	Y	Y	Y	Y

¹²The annual opening assurance site visit occurred at least 10 days prior to the first day of school; however, only evidence of the visit is the completion of the standard ODE form.

¹³Y - SAO & CSS completed the required continuous monitoring requirements.

¹⁴The submission of the opening assurance site visit form is one business day late.

¹⁵The fall and spring assessment results were communicated to the governing authority; however the results were not communicated in a timely manner.

Supplement to the Special Audit Report

2013 Continuous Schools							
Test No.	Accelerated Achievement Academy of North Cincinnati	C.M. Grant Leadership Academy	Cincinnati College Preparatory Academy East	The Haley School	Madison Avenue School of Arts	UBAH Math & Reading Academy (formerly New Citizens Academy)	Zenith Academy East
7	Y	Y	Y	Y	Y	Y	Y
8	Y	Y	Y	Y	Y	Y	Y
9	Y	Y	Y	Y	Y	Y	Y
10	Y	Y	Y	Y	Y	Y	Y
11	Y	Y	Y	Y	Y	Y	Y
11	Y	Y	Y	Y	Y	N3 ¹⁶	Y

¹⁶For the months when a board meeting was not scheduled, email correspondence between CSS and the community school and governing board were provided. The correspondence included discussions regarding financial information; however, FTE enrollment information was not identified.



Dave Yost • Auditor of State

COMMUNITY SCHOOL SPONSORSHIPS

FRANKLIN 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
SEPTEMBER 3, 2015