



Dave Yost • Auditor of State



**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

General Chappie James Leadership Academy  
Montgomery County  
120 Knox Avenue  
Dayton, Ohio 45427

To the Governing Board:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of the General Chappie James Leadership Academy, Montgomery County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

Management has not provided the Auditor of State with a complete set of financial statements, including management's discussion and analysis, a cash flow statement, and notes to the financial statements. Additionally, management has not provided to the Auditor of State certain 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 fraud involving management or employees with significant roles in internal control; compliance with laws, regulations and provisions of contracts and grant agreements, the identification of all federal assistance programs and compliance with grant requirements.

***Disclaimer of Opinion***

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

***Emphasis of Matter***

The Sponsor permanently closed the General Chappie James Leadership Academy effective September 11, 2014.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 3, 2015

**General Chappie James Leadership Academy**  
**Balance Sheet**  
As of June 30, 2014

	Jun 30, 14
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
10002 · US Bank Payroll	11,001.89
10004 · Us Bank Donations Account	66.47
10005 · US Bank Operating	-8,585.40
<b>Total Checking/Savings</b>	2,482.96
<b>Accounts Receivable</b>	
11000 · Accounts Receivable	6,999.42
11003 · IG Receivable	20,458.33
<b>Total Accounts Receivable</b>	27,457.75
<b>Total Current Assets</b>	29,940.71
<b>Fixed Assets</b>	
12000 · Fixed Assets	
12001 · Land	7,100.00
12002 · Buildings	122,900.00
12003 · Furniture and Fixtures	76,175.00
12004 · Machinery and Equipment	69,327.00
12005 · Accumulated Deprerciation	-106,262.00
<b>Total 12000 · Fixed Assets</b>	169,240.00
<b>Total Fixed Assets</b>	169,240.00
<b>TOTAL ASSETS</b>	<b>199,180.71</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
20000 · Accounts Payable	78,042.05
<b>Total Accounts Payable</b>	78,042.05
<b>Other Current Liabilities</b>	
21000 · Payroll Liabilities	-6,811.65
<b>Total Other Current Liabilities</b>	-6,811.65
<b>Total Current Liabilities</b>	71,230.40
<b>Long Term Liabilities</b>	
22000 · Mortgage Notes Payable	77,800.64
<b>Total Long Term Liabilities</b>	77,800.64
<b>Total Liabilities</b>	149,031.04
<b>Equity</b>	
30000 · Opening Bal Equity	330,725.05
39000 · Retained Earnings	-183,728.06
Net Income	-96,847.32
<b>Total Equity</b>	50,149.67
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>199,180.71</b>

**General Chappie James Leadership Academy**  
**Profit & Loss YTD Comparison**  
June 2014

	Jun 14	Jul '13 - Jun 14
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
1800 · Misc Local Revenue		
1820 · Private Contributions	17,899.51	20,049.51
1890 · Other Misc Receipts	0.00	1,499.89
1800 · Misc Local Revenue - Other	0.00	2,000.00
<b>Total 1800 · Misc Local Revenue</b>	<b>17,899.51</b>	<b>23,549.40</b>
3101 · Unrestricted Grant in Aid		
3110 · Foundation Basic	0.00	581,910.70
3190 · Casino Tax	0.00	2,944.57
3101 · Unrestricted Grant in Aid - Other	0.00	582.48
<b>Total 3101 · Unrestricted Grant in Aid</b>	<b>0.00</b>	<b>585,437.75</b>
5100 · Refund	0.00	2,254.20
5300 · Refund Prior Year	0.00	2,313.86
<b>Total Income</b>	<b>17,899.51</b>	<b>613,555.21</b>
<b>Gross Profit</b>	<b>17,899.51</b>	<b>613,555.21</b>
<b>Expense</b>		
100 · Salaries		
1111132 · 205 Teaching Assignmen	0.00	77,084.52
1112411 · 109 Superintendent	0.00	68,945.73
1112415 · 299 Exec Admin	0.00	710.80
1112421 · 108 Principal	0.00	44,670.34
1411132 · Teaching - Support Services Pup	0.00	25,560.88
1412190 · 399 Other Pupil Services	0.00	21,607.27
1412411 · 502 Secretary	0.00	19,219.63
1412414 · 399 Class Admin	0.00	21,583.61
100 · Salaries - Other	0.00	-10,793.53
<b>Total 100 · Salaries</b>	<b>0.00</b>	<b>268,589.25</b>
200 · Benefits		
2111132 · Retirement STRS	0.00	26,247.06
2212490 · Retirement SERS	0.00	13,432.39
2411190 · Medical Teacher	0.00	26,236.38
2412000 · Unemployment	0.00	14,115.04
2491110 · Medicare Cert	0.00	3,747.90
2491132 · Medicare	0.00	29.74
2601190 · BWC	0.00	1,538.44
2812490 · OH Unemployment	0.00	0.00
200 · Benefits - Other	0.00	-1,664.91
<b>Total 200 · Benefits</b>	<b>0.00</b>	<b>83,682.04</b>
400 · Purchased Services		
4111132 · Instructional Services	0.00	1,226.10
4111249 · Special Education Inst	0.00	30,913.48
4112149 · Psychologist	0.00	125.00
4132134 · Nurse	0.00	390.00
4152411 · Sponsor Fees	10,764.35	28,222.19
4152490 · Management Services	0.00	2,113.61
4182490 · Professional/Legal Ser	0.00	33,529.37
4182530 · Fiscal Fees	0.00	24,034.45
4191120 · Other Prof. Tech. Serv	0.00	2,214.76
4192400 · Other Prof Services	277.08	14,817.20
4192402 · Fingerprinting	0.00	792.00
4192403 · EMIS/Power School	2,600.00	16,081.31
4192490 · Other Prof. ADM. Serv	0.00	300.00
4192960 · Computer and Technical Services	660.90	33,009.03
4222720 · Trash Removal	0.00	9.00
4222790 · Garbage Removal	144.14	1,824.07
4232720 · Repairs	0.00	7,937.90
4232740 · Repair&Main.-Equip&Fur	0.00	4,506.29
4232790 · Janitorial Services	2,000.00	30,533.00
4242720 · Property Insurance	0.00	11,101.00

**General Chappie James Leadership Academy**  
**Profit & Loss YTD Comparison**  
June 2014

	Jun 14	Jul '13 - Jun 14
4252720 · Rentals	0.00	200.00
4262790 · Lease Purchase	0.00	3,574.94
4292790 · Other Property Service	0.00	10,642.58
4311130 · Travel-Prof. Dev.	0.00	6,692.96
4312490 · Mileage Reimbursement	0.00	971.26
4321130 · Meeting Expense	0.00	484.02
4392490 · Meals	0.00	250.00
4412790 · Telephone	-1,833.26	2,179.09
4432790 · Postage	0.00	913.09
4442790 · Postage Machine Rental	0.00	1,197.31
4462490 · Advertising	0.00	2,592.00
4492790 · Other Comm. (Internet)	-8.93	3,380.76
4512790 · Electricity	517.52	7,337.93
4522790 · Water and Sewage	454.20	1,796.16
4532790 · Gas	83.90	20,277.06
4612490 · Printing and Binding	0.00	3,443.53
4711130 · Tuition to other Districts	831.24	4,071.24
4812850 · Pupil Trans District	450.00	4,000.00
4832850 · Pupil Trans Other	0.00	14,995.00
4992421 · Support Services Purchased Serv	0.00	37.50
400 · Purchased Services - Other	0.00	2,602.11
<b>Total 400 · Purchased Services</b>	<b>16,941.14</b>	<b>335,318.30</b>
<b>500 · Supplies and Materials</b>		
5111130 · Instructional Supplies	0.00	7,021.13
5122490 · Office Supplies	0.00	5,230.27
5142134 · Nursing Supplies	203.00	2,030.00
5161190 · Software Instruction	0.00	11,998.06
5161227 · Software-Special Ed.	0.00	500.00
5191130 · Other Supplies Instr	-125.62	380.41
5192490 · Other Supplies Admin	117.98	117.98
5194110 · Other Sup.-Ex Cur-Acad	0.00	175.00
5211130 · New Textbooks	0.00	2,666.10
5722720 · Buildings Maintenance	0.00	158.98
5732790 · Equipment/Furniture	0.00	1,865.50
5902490 · Other Mater. & Suppl.	0.00	384.04
<b>Total 500 · Supplies and Materials</b>	<b>195.36</b>	<b>32,527.47</b>
<b>600 · Capital Outlay</b>		
6302790 · Improvements	0.00	2,353.00
6401190 · Equipment Instruction	0.00	16,785.00
<b>Total 600 · Capital Outlay</b>	<b>0.00</b>	<b>19,138.00</b>
<b>66000 · Payroll Expenses</b>	<b>0.00</b>	<b>26.36</b>
<b>6999 · Uncategorized Expenses</b>	<b>420.99</b>	<b>420.99</b>
<b>800 · Other Objects</b>		
8122590 · Repayment of Loans	723.12	8,677.44
8412490 · Memberships	0.00	348.80
8432590 · Audit Fees	0.00	10,143.40
8482590 · Bank Charges	87.10	2,321.67
8492590 · Other Dues and Fees	13.25	6,568.96
8512590 · Liability Insurance	0.00	278.30
8552590 · P&C Fire Insurance	0.00	404.65
8592590 · Other Insurance	0.00	117.81
8702510 · Taxes	1,768.95	3,637.34
8914190 · Academic Extra	86.50	12,899.58
8914590 · Sports Extra	0.00	34.98
<b>Total 800 · Other Objects</b>	<b>2,678.92</b>	<b>45,432.93</b>
<b>900 · Other Uses of Funds</b>		
9307500 · Refund of Prior Year Receipt	0.00	5,062.00
<b>Total 900 · Other Uses of Funds</b>	<b>0.00</b>	<b>5,062.00</b>
<b>Total Expense</b>	<b>20,236.41</b>	<b>790,197.34</b>

**General Chappie James Leadership Academy**  
**Profit & Loss YTD Comparison**  
 June 2014

	Jun 14	Jul '13 - Jun 14
Net Ordinary Income	-2,336.90	-176,642.13
Other Income/Expense		
Other Income		
4200 · Restricted Grants-In-Aid		
4210 · Restricted Federal Grants	0.00	79,794.81
Total 4200 · Restricted Grants-In-Aid	0.00	79,794.81
Total Other Income	0.00	79,794.81
Net Other Income	0.00	79,794.81
Net Income	<b>-2,336.90</b>	<b>-96,847.32</b>



# Dave Yost • Auditor of State

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

General Chappie James Leadership Academy  
Montgomery County  
120 Knox Avenue  
Dayton, Ohio 45427

To the Governing Board:

We were engaged to audit, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the General Chappie James Leadership Academy, Montgomery County, (the Academy) as of and for the year ended June 30, 2014, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 3, 2015, wherein we did not express an opinion because the management failed to provide the Auditor of State certain representations as required by auditing standards generally accepted in the United States of America as well as failed to provide complete financial statements required by Generally Accepted Accounting Principles. Additionally, on September 11, 2014 the Sponsor permanently closed the Academy.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. We consider findings 2014-002 and 2014-011 through 2014-012 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-013 described in the accompanying schedule of findings 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-012, and 2014-014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

August 3, 2015

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. 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. Ohio Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Additionally, **Ohio Admin. Code Section 117-2-03(B)** states that all counties, cities and school district, including education service centers and community schools, shall file their annual financial report which is prepared in accordance with generally accepted accounting principles (GAAP).

The Academy did not file its 2014 annual financial report with the Auditor of State as required. Additionally, the only documents provided for audit were a Balance Sheet and Profit and Loss Statement for the period ending June 30, 2014. The accompanying financial statements omit the management's discussion and analysis, a cash flow statement and notes to the financial statements as required. Pursuant to Ohio Rev. Code Section 117.38 the Academy may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Academy should have implemented procedures to verify that the annual financial report was properly prepared and filed in accordance with the Ohio Revised Code and Ohio Administrative Code.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-002**

**NONCOMPLIANCE/MATERIAL WEAKNESS**

**Ohio Admin. Code Section 117-2-02(A)(4)** requires all local public offices 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.

Additionally, **Ohio Admin. Code Section 117-2-02(D)(4)** states, in part, that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. In addition, all local public offices should maintain or provide a report similar to the following accounting records:

**FINDING NUMBER 2014-002  
(Continued)**

- Payroll records including:
  - i. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
  - ii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
  - iii. Information regarding nonmonetary benefits such as car usage and life insurance; and
  - iv. Information, by employee, regarding leave balances and usage;

We noted that the trial balance prepared by the Academy did not agree to the financial statements provided. We also noted during examination of non-payroll cash disbursements that there were several checks that were issued and cleared the bank that were not included on the Academy's trial balance. Additionally, the Academy did not provide any bi-weekly payroll records or ledgers. The Academy did provide employment contracts for the school year and a payroll summary report for calendar year 2013 and 2014. Additionally, we noted that amounts paid in calendar year to employees did not agree to the payroll summary for calendar year 2014 for several employees (IE. employees were actually paid less than the payroll summary indicated). This resulted in the issuance of a disclaimed audit opinion.

The Academy should have implemented procedures to verify that all transactions initiated by the Academy were properly posted to the trial balance and that all payroll records were maintained as required by the Ohio Administrative Code.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-003**

**NONCOMPLIANCE**

**26 Code of Federal Regulations (CFR) Section 1.6041-1** provides, in part, that every person engaged in a trade or business shall make an information return for each year with respect to payments it makes during the calendar year for the purpose of salaries, wages, commissions, fees and other forms of compensation for services rendered aggregating \$600 or more.

The Academy did not provide any completed IRS Form 1099's for independent contractors paid in calendar year 2014.

The Academy should have reported all payments made to those individuals engaged in a trade or business, on IRS Form 1099, for the applicable calendar year. This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to the Internal Revenue Service for further investigation.

**Official's Response:** We did not receive a response from Officials to this finding.

#### FINDING NUMBER 2014-004

##### NONCOMPLIANCE

**Ohio Rev. Code Section 3314.03(A)(1)(a)-(b)** states, in part, that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school shall be established as a nonprofit corporation established under Chapter 1702 of the Revised Code, if established prior to April 8, 2003; or a public benefit corporation established under Chapter 1702 of the Revised Code, if established after April 8, 2003. As a result, all community schools are organized for a public and charitable purpose. Also, pursuant to Ohio Rev. Code Section 3314.074 their assets inure to the State of Ohio by statute. Therefore, community schools are automatically exempt from Federal and State income taxes and do not require 501(c)(3) filing status. Under the Internal Revenue Service Code, community schools must annually file a Form 990 with the IRS.

There was no indication that the Academy completed or filed a Form 990 with the IRS during fiscal year 2014. The Academy should have implemented procedures to verify that Form 990 was completed and filed with the IRS for 2014.

This matter will be referred to the Internal Revenue Service for further investigation.

**Officials' Response:** We did not receive a response from Officials to this finding.

#### FINDING NUMBER 2014-005

##### NONCOMPLIANCE

**Ohio Rev. Code Section 4123.38** requires that every employer mentioned in R.C. 4123.01(B)(1) shall contribute to the public insurance fund the amount of money determined by the administrator of workers' compensation, and the manner of determining contributions and the classifications of employers is as provided in R.C. Sections 4123.39 to 4123.41 and 4123.48.

For the fiscal year ended June 30, 2014, the Academy failed to provide Ohio Bureau of Workers' Compensation remittance forms as well as any payroll ledgers to substantiate amounts remitted in 2014.

The Academy should have maintained remittance forms and payroll ledgers to support amounts remitted to the Ohio Bureau of Workers' Compensation. This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to Ohio Bureau of Workers Compensation for further investigation.

**Official's Response:** We did not receive a response from Officials to this finding.

#### FINDING NUMBER 2014-006

##### NONCOMPLIANCE

**Ohio Rev. Code Section 3307.26(A)/(C)** states, in part, that each teacher shall contribute eleven percent of the teacher's earned compensation, except that the state teachers' retirement board may raise the contribution rate to a rate not greater than fourteen percent of the teacher's earned compensation. The contribution for all teachers shall be deducted by the employer on each payroll in an amount equal to the applicable percent of the teachers' paid compensation for such payroll period or other period as the Governing Authority may approve.

**FINDING NUMBER 2014-006**  
**(Continued)**

For the fiscal year ended June 30, 2014, we noted State Teachers Retirement System (STRS) remittances cleared the Academy's bank accounts via electronic funds transfers through the pay period ending May 15, 2014. The Academy failed to provide any payroll ledgers to substantiate amounts remitted in 2014 as well as remittance forms for the following pay periods; August 15, 2013, September 15, 2013, September 30, 2013, October 15, 2013, November 15, 2013, December 15, 2013, December 31, 2013, February 15, 2014, February 28, 2014, March 15, 2014, March 31, 2014, and April 15, 2014.

Additionally, it was noted that the Academy made manual check payments from April 23, 2014 through September 16, 2014 amounting to \$14,999.84 to employees enrolled in STRS for which no evidence of retirement withholdings were made.

The Academy should have maintained remittance forms and payroll ledgers to support amounts remitted to the State Teachers Retirement System (STRS). This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to State Teachers Retirement System for further investigation

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-007**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 3309.47** states that each school employees retirement system contributor shall contribute eight percent of the contributor's compensation to the employees' savings fund, except that the school employees retirement board may raise the contribution rate to a rate not greater than ten percent of compensation. The contributions by the direction of the school employees retirement board shall be deducted by the employer from the compensation of each contributor on each payroll of such contributor for each payroll period and shall be an amount equal to the required per cent of such contributor's compensation. On a finding by the board that an employer has failed or refused to deduct contributions for any employee during any year and to transmit such amounts to the retirement system, the retirement board may make a determination of the amount of the delinquent contributions, including interest at a rate set by the retirement board, from the end of each year, and certify to the employer the amounts for collection. If the amount is not paid by the employer, it may be certified for collection in the same manner as payments due the employers' trust fund. Any amounts so collected shall be held in trust pending receipt of a report of contributions for the employee for the period involved as provided by law and, thereafter, the amount in trust shall be transferred to the employee's savings fund to the credit of the employee. Any amount remaining after the transfer to the employees' savings fund shall be transferred to the employers' trust fund as a credit of the employer.

For the fiscal year ended June 30, 2014, we noted School Employees Retirement System (SERS) remittances cleared the Academy's bank accounts via electronic funds transfers and checks through the pay period ending May 15, 2014. The Academy failed to any payroll ledgers to substantiate amounts remitted in 2014 as well as remittance forms for the pay periods subsequent to April 30, 2014.

Additionally, it was noted that the Academy made manual check payments from April 23, 2014 through September 16, 2014 amounting to \$11,442.72 to employees enrolled in SERS for which no evidence of retirement withholdings were made.

**FINDING NUMBER 2014-007  
(Continued)**

The Academy should have maintained remittance forms and payroll ledgers to support amounts remitted to the School Employees Retirement System. This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to School Employees Retirement System for further investigation

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-008**

**NONCOMPLIANCE**

**26 U.S.C. Section 3402(a)** requires that, in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of Treasury.

Additionally **26 U.S.C. Section 3102(a)** requires that the tax imposed by section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid. **26 U.S.C. Section 3111 (a)** states that in addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment.

The Academy provided Quarterly Form 941's and a Payroll Summary Report for the calendar year ended December 31, 2014. We noted that the Academy made manual check payments to employees from April 23, 2014 through September 16, 2014 amounting to \$26,442.56 to employees for which no evidence of federal income tax and Medicare withholdings were made.

The Academy should have maintained payroll ledgers to support amounts remitted to the Internal Revenue Service for federal income taxes and Medicare taxes withheld. This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to the Internal Revenue Service for further investigation.

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-009**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 5747.06** requires that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer, shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in his adjusted gross income during the calendar year. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

**FINDING NUMBER 2014-009  
(Continued)**

The Academy provided the Transmittal of Wages and Tax Statements form Ohio IT-3 and a Payroll Summary Report for the calendar year ended December 31, 2014. We noted that the Academy made manual check payments to employees from April 23, 2014 through September 16, 2014 amounting to \$26,442.56 to employees for which no evidence of state income tax withholdings were made.

The Academy should have maintained payroll ledgers to support amounts remitted to the Ohio Department of Taxation for state income taxes withheld. This would help to provide compliance with applicable federal laws and help reduce the possibility of additional expenditures to the Academy for fines imposed.

This matter will be referred to the Ohio Department of Taxation for further investigation.

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-010**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 3314.015(E)** states that the department shall adopt procedures for use by a community school governing authority and sponsor when the school permanently closes and ceases operation, which shall include at least procedures for data reporting to the department, handling of student records, distribution of assets in accordance with section 3314.074 of the Revised Code, and other matters related to ceasing operation of the school.

The Ohio Department of Education (ODE) has developed Community School Closing Procedures Assurances. The purpose of this document is to assure ODE that a sponsor has followed legally required community school closing procedures in a timely manner. Sponsors must provide and execute a plan for the closure of community schools they sponsor prior to the school closing its doors. Sponsors are required to complete and sign this assurance to ODE that proper notifications occur, records are properly distributed and assets are properly disposed with dates recorded in the cells including a final FTE review and scheduling of the final state audit within 30 days of closure of the school.

There was no evidence that the closeout procedures required by the Ohio Department of Education were completed and filed with ODE. The Sponsor should implement procedures to complete the closeout procedures and contact the Ohio Department of Education to rectify any outstanding items associated with closing the Academy.

This matter will be referred to the Ohio Department of Education.

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-011**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Rev. Code Section 3314.03(A)(11)(d)** requires that each contract entered into between a sponsor and the governing authority of a community school specify that the school will comply with Section 149.43 of the Ohio Rev. Code. **Ohio Rev. Code 149.43(B)** states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with this division

**FINDING NUMBER 2014-011  
(Continued)**

- The Academy did not have detailed payroll registers by pay period (the Academy did provide a calendar year payroll summary for 2014 and 2013), remittance forms to the State Teachers Retirement System August 15, 2013, September 15, 2013, September 30, 2013, October 15, 2013, November 15, 2013, December 15, 2013, December 31, 2013, February 15, 2014, February 28, 2014, March 15, 2014, March 31, 2014, and April 15, 2014, School Employees Retirement System for pay periods subsequent to April 30, 2014 and Ohio Bureau of Workers Compensation for the entire audit period thru September 11, 2014 (the date the Academy was closed).
- Bank Statements and cancelled checks for the Academy's general operating account at US Bank were not provided for the period June 1, 2014 – September 2014.
- Bank Statements and cancelled checks for the Academy's donations account at US Bank were not provided for the period June 1, 2014 – September 2014.
- Bank Statements and cancelled checks for the Academy's payroll account and petty cash account at US Bank were not provided for the following, July 2013, August 2013, November 2013, March 2014 and June 1, 2014 – September 2014.

The lack of maintaining these records resulted in the issuance of a disclaimed audit opinion. The Academy should have adopted procedures so that all forms of supporting records and documentation are maintained.

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-012**

**NONCOMPLIANCE/FINDING FOR RECOVERY AND MATERIAL WEAKNESS**

**Ohio Rev. Code Section 3314.03(A)(11)(d)** requires that each contract entered into between a sponsor and the governing authority of a community school shall specify that the school will comply with Section 149.43 of the Ohio Rev. Code. Ohio Rev. Code Section 149.43(B) states, in part, that all public records shall be promptly prepared and made available for inspection to a person at all reasonable times during regular business hours. In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection in accordance with division.

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

We noted the following cash withdrawals made from the Academy's US Bank Accounts during 2014 that included no supporting documentation.

**FINDING NUMBER 2014-012  
 (Continued)**

<u>Withdrawal Date</u>	<u>Bank Account</u>	<u>Withdrawal Amount</u>	<u>Signature on Withdrawal</u>	<u>Reasoning for Finding for Recovery</u>
8/16/2013	4658	\$1,000	Kecia L. Williams	Lack of Supporting Documentation
3/17/2014	4658	\$400	Kecia L. Williams	Lack of Supporting Documentation
3/28/2014	4658	\$500	Kecial L. Williams	Lack of Supporting Documentation
5/7/2014	4658	\$7	Kecia L. Williams	Lack of Supporting Documentation
5/7/2014	4658	\$300	Kecia L. Williams	Lack of Supporting Documentation
5/30/2014	4658	\$175	Kecia L. Williams	Lack of Supporting Documentation
6/3/2014	4658	\$10,007	Kecia L. Williams	Lack of Supporting Documentation
7/22/2014	4658	\$1,107	Kecia L. Williams	Lack of Supporting Documentation
7/30/2014	4658	\$4,114	Kecia L. Williams	Lack of Supporting Documentation
		<u>\$17,610</u>		

In addition, the Academy's Director, Kecia L. Williams opened and authorized a U.S. Bank Visa Rewards Community Card (account ending 2047) on May 22, 2014 in the name of General Chappie James Leadership Academy. During the period May 22, 2014 thru September 18, 2014, purchases on the card in the amount of \$1,584 were made; however no supporting documentation was provided.

There was no indication that the Board approved these expenditures. Additionally, there was no documentation to support that the withdrawals were otherwise for a proper public purpose. Without proper supporting documentation, it is not possible to determine if the cash withdrawals included items that would not be considered a proper public purpose. The failure to maintain adequate support for these cash withdrawals could result in a loss of accountability over the Academy's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Kecia L. Williams in the amount of \$19,194 in favor of General Chappie James Leadership Academy.

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-013**

**SIGNIFICANT DEFICIENCY – BANK RECONCILIATIONS**

The Academy completed monthly bank to book reconciliations for June 30, 2014. We noted the following errors on the bank reconciliation of the Operating Account at US Bank:

- Check 4656 was listed as an outstanding check in the amount of \$191.79; however, this check number cleared the bank on 12/10/13 and was for \$50.
- Check 4131 was listed as an outstanding check in the amount of \$1,316; however, this check cleared the bank on 12/28/13 and was for \$1,500.
- An EFT in the amount of \$971.43 to the School Employees Retirement System was listed as an un-cleared transaction; however, this was not an EFT, rather it was check 4783 and cleared the bank on 4/15/14.

The Academy should have implemented procedures to verify that bank reconciliations are prepared timely, that reconciling items are documented on the reconciliation, items are posted to the accounting records in a timely fashion and that an individual independent of the Treasurer review and sign the bank reconciliation each month. This resulted in inaccurate financial information being presented to the Governing Board.

**FINDING NUMBER 2014-013  
(Continued)**

**Official's Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2014-014**

**Noncompliance**

**Ohio Rev. Code Section 3314.08** provides the formula by which Community Schools are funded. Community Schools receive funding from the state through the per-pupil foundation allocation. Unlike city, local, exempted village and joint vocational school districts, Community Schools have no tax base from which to draw funds for buildings and investment in infrastructure.

A full-time student is one who attends the entire school day and entire school year; that will result with the student having a Full-Time Equivalence (FTE) of 1.00. Students who attend a Community School for less than the entire year will have an FTE equal to the total days/hours attended divided by the number of days/hours in the school year. Community Schools are funded on a per-pupil FTE basis. The School Options Enrollment System (SOES) is the EMIS subsystem that drives funding for community schools. It is a Web application administered by the Ohio Department of Education (ODE) and used by community schools and traditional public schools to enter and review data used to flow funds to community schools. Community school personnel enter data in the SOES system and traditional public school personnel review, verify or challenge that data.

**Ohio Rev. Code Section 3313.64(J)** states that the treasurer of each school district shall, by the fifteenth day of January and July, furnish the superintendent of public instruction a report listing the names of each child in the permanent or legal custody of a government agency or person other than the child's parent and each child who resides in a home, who attended the district's schools during the preceding six calendar months. For each child, the report shall state the duration of attendance of that child, the school district responsible for tuition on behalf of the child, and any other information that the superintendent requires. Upon receipt of this report, the superintendent shall deduct each district's tuition obligations and pay to the district of attendance that amount plus any amount required to be paid by the state.

In addition, **Ohio Rev. Code Section 3314.08** requires the board of education of each school district to annually report the number of students entitled to attend school in the district that are actually enrolled in community schools. This section also requires the governing authority of each community school to annually report the number of students enrolled in the community school. For each student, the governing board of the community school must report the city, exempted village, or local school district in which the student is entitled to attend.

Based on these reported numbers, the state Department of Education shall calculate and subtract the appropriate amount of state aid from each school district. The amount subtracted shall be paid to the corresponding community school or to the internet or computer-based community school entitled to receive those funds. When calculating and subtracting the appropriate amount of state aid, the department should take into consideration any enrollment of students in community schools for less than the equivalent of a full school year.

**FINDING NUMBER 2014-014  
(Continued)**

For the fiscal year ended June 30, 2014, the Ohio Department of Education indicated that the Academy received a state foundation overpayment amount of \$30,591.47. We previously issued a separate special audit report on the Academy covering the period of July 1, 2011 through June 30, 2014 which indicated that the overpayment for the fiscal year ended June 30, 2014 was actually \$106,786. This was included as a finding for recovery against the Academy's former director. Neither the Academy nor the former Director has repaid the Ohio Department of Education (ODE) for the foundation overpayment and ODE has certified the amount of \$30,591.47 to the Ohio Attorney General's Office for collection. Due to adjustments to Foundation FTE payments by ODE after the close of the fiscal year, we believe the actual amount of the finding for recovery should remain \$106,786 as previously reported.

**Official's Response:** We did not receive a response from Officials to this finding.

**GENERAL CHAPPIE JAMES LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	<b>Noncompliance and Material Weakness – Ohio Rev. Code Section 3314.08(L)(2) and 3314.03(A)(6)(b) – Student Attendance/Enrollment Issues</b>	No	Special Audit performed with regards to this issue and separate report issued.

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# Dave Yost • Auditor of State

**GENERAL CHAPPIE JAMES ACADEMY**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 16, 2016**