



Dave Yost • Auditor of State





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## Independent Accountants' Report on Applying Agreed-Upon Procedures

The Next Frontier Academy  
Summit County  
1127 Copley Road  
Akron, Ohio 44320

We have performed the procedures enumerated below, with which the Governing Board, Sponsor, and the management of The Next Frontier Academy (the "Academy") agreed, solely to assist the Ohio Department of Education (ODE) in evaluating whether the School completed the ODE Community School Closing Procedures for this School that closed effective June 30, 2015. Management is responsible for recording transactions; and management, the Board, and the Sponsor are responsible for complying with the Closing Procedure requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. In addition, we have audited, in accordance with standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the School for the period of July 1, 2015 to October 31, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated April 7, 2016.

Ohio Revised Code Section 3314.015 (E) states the department (of education) 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.

Ohio Department of Education, Community Schools Guidance Letter 2010-3 states sponsors must provide and execute a plan for an orderly wrap-up of a community school's affairs upon a permanent closure of a community school, preferably prior to the school closing its doors. A school is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the school's closure. The sponsor and a representative of the governing board are required to complete and sign the *Assurance to ODE Form*. The role of the sponsor in this process is to assure that the governing authority of the community school has taken required actions to properly address closing issues and/or to take those actions itself if the governing authority is no longer able or functioning. Inasmuch as a plan for school closure is a required part of the school's contract with the sponsor, final preparations as part of that plan should be in place prior to the last day students are in attendance.

### **Initial Notifications, Student Records and School Records**

1. A school is officially closed when instruction is no longer taking place and the governing authority or sponsor issues an official notice which states the date of the school's closure.
  - a. We attempted to inspect the official notice to ODE that the school was closing, the date it was closing and the board resolution. We noted the Board approved the resolution on June 17, 2015 but no documentation was provided to us that the official notice was sent to ODE.
2. We attempted to inspect the formal letter from the school governing authority and the sponsor superintendent notifying parents that the school was closing. The letter should have been dated within 24 hours of the action, and included: the reason for the closing of the school, options for enrolling in another community school, traditional schools or nonpublic schools and contact information. We noted the Sponsor remitted an example letter to the Board in June of 2015; however we were unable to determine if a letter was sent to the parents.
3. We inspected the notice of closing sent to the Ohio State Teachers Retirement System and School Employees Retirement System. We examined the notice sent to the Ohio State Teachers Retirement System, however, we were not provided a notice to the School Employees Retirement System. We viewed correspondence to the School Employees Retirement System acknowledging the Academy closed.
4. We inquired of the Sponsor if they took control of and secured all school records, property and assets immediately when the school closed.
  - a. We scanned student records to determine if they were put in order and if transcript materials were produced.
  - b. We inspected the final FTE review by the Ohio Department of Education to determine that it was completed.
  - c. We inquired of the resident district if copies of student records were provided by the community school, within seven business days of closure of the community school as defined in section 3314.44 of the revised code.
  - d. We inquired of the receiving school if special education records were provided for all students with disabilities.

We noted student records were not in order and transcript materials were not produced. In addition, student records were not provided to Akron City School District until two months after the closing of the Academy and confirmation of receipt of records to Kent City and Cuyahoga Falls City School Districts were not provided. Finally, special education records, in addition to IEP's for students with disabilities, were not complete.

5. We attempted to inspect the written notice to the School's staff from the governing authority of the decision to close the school. This notice should have included the following:
  - a. Provided a clear written timeline of the closing process;
  - b. Clarified COBRA benefits and when medical benefits end;
  - c. Reminded the faculty of their obligation to teach up to the date of closing or otherwise determine that the school is properly staffed up to the time of closing;
  - d. Provided sponsor contact information.

We noted the Governing Board failed to inform the staff of the Academy's closing, however, the management company provided a letter which did not include a reminder to the faculty of their obligation to teach up to the date of closing.

### **Initial Notifications, Student Records and School Records**

6. We confirmed that the school was current with their payments to the following retirement systems:
  - a. State Teachers Retirement System (STRS) – No exceptions were noted.
  - b. State Employees Retirement System (SERS) – No exceptions were noted.

### **Disposition of Assets**

1. We inquired if the governing authority retained the treasurer or the Sponsor to oversee the remaining financial activity, and act as a receiver to oversee the closing of the financial records in the absence of a fiscal officer. The Sponsor was retained.
2. We inquired of the School and inspected the capital asset listing to determine if the School had any assets which had been purchased with federal dollars. No such assets were noted.
3. We inquired of the School if they received computer hardware or software from the former Ohio SchoolNet commission or the former eTech Ohio commission. The School had no such computer hardware or software.
4. We attempted to obtain and scanned documentation showing:
  - a. The fair market (initial and amortized) value established via the capital assets policy, for all capital assets;
  - b. The listing of purchasers of assets with proper USAS codes, the price of each item, and the source of funds;
  - c. The established disposition plan for any remaining items;

We noted the Academy has not established a capital asset policy or threshold nor reported any capital assets. We identified a furniture invoice to the Academy in the amount of \$10,445. The company expressed interest in obtaining the balance but never brought this to the Board's attention. We could not determine if the liability is the responsibility of the Academy or management company and if the furniture was disposed of or still at the School.

5. We inquired to identify:
  - a. What staff will have legal authority for payment processes (e.g. checks, cash, credit cards, etc.);
  - b. Any State Facilities Commission guarantees.

We noted no exceptions.

6. We inquired if the School had any real property acquired from a public school district. The School had no such property.
7. We inquired of the School and inspected the capital asset listing to determine if the School had any assets which had been purchased with National School Lunch Program federal dollars. No such capital assets were noted.

### **Disposition of Assets - (Continued)**

8. We scanned the School's expenditure ledger to determine if they utilize only state dollars, auction proceeds, foundation dollars and any other non-federal dollars to pay the following, in order:
  - a. Any outstanding federal or state claims that may need to be paid first including but not limited to including federal and state taxes, Medicare, Workers Compensation, and city wage taxes;
  - b. STRS/SERS/retirement systems and other adjustments;
  - c. Teachers and staff;
  - d. Private creditors or those entities that have secured a judgment against the school, including audit preparation and audit costs (prepared financials);
  - e. If the assets of the school are insufficient to pay all persons or entities to which compensation is owed, the prioritization of the distribution of the assets to individual persons or entities within each class of payees may be determined by decree of a court in accordance section 3314.074 and Chapter 1702 of the Ohio Revised Code.

We noted no exceptions except for an invoice to the Academy in excess of \$10,000 for furniture. However, no one from the Academy or the Sponsor could indicate what happened to the furniture nor if any payments were made. In addition, no court order was noted in item e.

### **Preparation of Itemized Financials**

1. We scanned the following documents to determine such had been prepared:
  - a. Year-end financial statements, notes to the financial statements and if applicable schedule of federal awards;
  - b. A cash analysis (taking the previous month's recap and reconciliation of bank accounts to books) for determination of the cash balance as of the closing date;
  - c. Compile bank statements for the year;
  - d. List of investments in paper hard copy format
  - e. List of all payables and indicate when a check to pay the liability clears the bank;
  - f. List all unused checks (collect and void all unused checks);
  - g. List of any petty cash;
  - h. List of bank accounts, closing the accounts once all transactions are cleared;
  - i. List of all payroll reports including taxes, retirement or adjustments on employee contract.
  - j. List of all accounts receivable.
  - k. List of assets and their disposition.
  - l. FTE review complete and submit a copy of the Certification Form signed at the FTE review.

We noted no exceptions.

### **Final Payments and Adjustments**

1. The sponsor shall continually monitor the condition of the closed school and be prepared to receive or transmit funds on behalf of the school as directed by an appropriate agency. We inspected the School ledgers to determine that:
  - a. Any funds received or adjustments were credited to the account of the closed school.
  - b. Any portion of any funds received, or adjustments, were applied to satisfy any remaining debt as allowable;
  - c. All remaining funds were properly spent.

We noted no exceptions.

**Final Payments and Adjustments – (Continued)**

At the conclusion of our engagement, we requested the **Board** and the **Treasurer** provide us with written representations regarding their responsibility for:

- Recording transactions and maintaining the accounting records
- For complying with legal requirements we tested as part of our procedures
- Providing us with all reports, records and other documentary evidence supporting the results we described in this report
- Informing us of other matters that may relate to the procedures this report describes.

The Treasurer resigned prior to the school closing due to not being compensated. She requested that we not contact her as she would not respond to anything regarding the Academy.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Academy's compliance with the Ohio Department of Education's Close-Out Procedures. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the School's sponsor, the Ohio Department of Education, those charged with governance, and others within the School, and is not intended to be, and should not be used by anyone other than these specified parties.



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

April 7, 2016

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# Dave Yost • Auditor of State

**THE NEXT FRONTIER ACADEMY**

**SUMMIT 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  
MAY 10, 2016**