



Dave Yost • Auditor of State



**PSCHECIN PUBLIC SCHOOL  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

North Central Ohio Educational Service Center  
Pschtecinc Public School  
Franklin County  
333 East Center Street  
Marion, Ohio 43302

We have performed the procedures enumerated below, with which the Sponsor of Pschtecinc Public School (the School) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the period of July 1, 2013 to September 30, 2014, and certain compliance requirements related to these transactions and balances. The School was closed effective September 30, 2014. Management is responsible for recording transactions; and management, the Board, and the Sponsor are responsible for complying with the compliance 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.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the September 30, 2014 bank reconciliation. We found no exceptions.
2. We agreed the July 1, 2013 beginning cash fund balance recorded in the cash fund balance report to the June 30, 2013 cash balance in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliation to the total of September 30, 2014 fund cash balances reported in the cash fund balance report. The amounts agreed.
4. We confirmed the September 30, 2014 bank account balance with the School's financial institution. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the September 30, 2014 bank reconciliation without exception.

### Foundation and Intergovernmental Cash Receipts

1. We selected all receipts from the Ohio Administrative Knowledge System (OAKS) covering the period.
  - a. For non-foundation receipts, we compared the amount from the above report to the amount recorded in the receipt ledger. The amounts agreed.

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### Foundation and Intergovernmental Cash Receipts (Continued)

- b. For foundation receipts:
  - i. We compared the amount from the above report to the net amount on the Community School Foundation Statement of Settlement Report (the Settlement Report). The amounts agreed.
  - ii. We compared the gross amount on the Settlement Reports to the amount recorded in the receipt ledger. The amounts agreed.
  - iii. We scanned the receipt ledger to determine whether it included one foundation payment each month for the months of July through December. We noted the receipt ledger included one foundation receipt for each month.
- c. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
- d. We determined whether the receipts were recorded in the proper period. We found no exceptions.

### Debt

1. The prior audit documentation disclosed no debt outstanding as of June 30, 2013.
2. We inquired of management, and scanned the receipt & expenditure ledgers for evidence of debt issued or debt payment activity during the period. We noted no new debt issuances, nor any debt payment activity during the period.
3. We inquired of management if any "on behalf" of assistance was received from the sponsor, management company, or other stakeholders. No such assistance was noted.

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the non-payroll expenditure ledger for the period and determined whether:
  - a. The disbursements were for a proper public purpose.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the expenditure ledger and to the names and amounts on the supporting invoices.
  - c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used.

We found no exceptions.

2. We reviewed the final FTE evaluation performed by the Ohio Department of Education (ODE) and determined whether the proper remittance was made by the Schools to ODE, as applicable, and whether any significant issues were identified. We identified the following exception:

Ohio Rev. Code §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.

**Non-Payroll Cash Disbursements (Continued)**

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 §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 §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 Ohio 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.

At certain times throughout the fiscal year, ODE receives and reviews data and, if necessary, modifies the amounts to be distributed to community schools. Based on its review of the Pschtecin Public School data, ODE determined the School was not entitled to some funding it had received. In a letter dated December 12, 2013, ODE informed the Pschtecin Public School that based on the review of the original source documentation and on the revised school calendar with a closing date of December 6, 2013 instead of June 4, 2014, adjustments were made to each students final FTE. This resulted in an amount owed back to the state of \$62,543.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Pschtecin Public School in the amount of \$62,543 in favor of the Ohio Department of Education. This matter will be referred to the Ohio Department of Education.

3. We inspected the non-payroll expenditure ledger for the period to determine whether the management company was paid more than 20% of the school's annual gross revenues. Ohio Rev. Code § 3314.024 states a management company providing services to a community school and charging more than twenty percent of the school's annual gross revenues shall provide a detailed accounting, including the nature and costs of the services it provides to the community school. This information shall be included in the footnotes of the financial statements of the school and be subject to audit during the school's regular financial audit. The school only paid their management company 15% of their annual gross revenues during the period.

#### **Non-Payroll Cash Disbursements (Continued)**

4. We scanned the non-payroll expenditure ledger for the period to determine whether any unusual expenditures (i.e. expenditures other than expected salary payments, monthly utility expenses, monthly management company expenses, sponsor fees) were made after the closed date. We found no exceptions.

#### **Compliance**

1. We selected 15 students from the community school's withdrawal list to determine if the community school was in compliance with Ohio Rev. Code Sections 3313.64, 3314.03, and 3314.08:
  - a. Identified when students were withdrawn and determined whether it was timely. .
  - b. Using grade records and/or attendance records, determined the last day students were reported as attending the community school.
  - c. If a student was reported absent for 105 consecutive hours, we determined the date the student should have been withdrawn.
  - d. We compared the dates determined in the steps above to the SOES or other student management database reports.
  - e. We considered whether the number of reported students was reasonable considering the size of the facility.

We were unable to test this compliance attribute because student attendance records were not available. This matter will be referred to the Ohio Department of Education.

2. We inquired of management if other student headcount lists exist that were prepared independently from those responsible for preparing the ADM counts. No other student headcount lists existed.
3. We selected 5 SSID's reported for FTE by the school (or its management company) and traced them back to supporting documentation that the student was, in fact, enrolled in the school (attendance records, grades, online learning hours, etc.). We were unable to test this compliance attribute because student attendance records were not available. This matter will be referred to the Ohio Department of Education.
4. We reviewed the compensation of the Board members for compliance with Ohio Rev. Code § 3314.02(E)(4) to ensure each Board member was not paid more than \$425 per meeting or a maximum of \$5,000 per year. We noted no exceptions.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the School's receipts, disbursements, balances and compliance with certain laws and regulations. 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.

At the conclusion of our engagement, we requested the Board, the Treasurer and the Sponsor to 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.
- Spent less than \$500,000 related to Federal Expenditures.

There are no Board members or Treasurer available to sign this representation letter. You should consider the effect, if any; this matter has on the results this report describes.

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

September 30, 2016



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

North Central Ohio Educational Service Center  
Pschtecin Public School  
Franklin County  
333 East Center Street  
Marion, Ohio 43302

We have performed the procedures enumerated below, with which the Sponsor of Pschtecin Public School, Franklin County, Ohio, (the School) 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 September 30, 2014. 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 performed agreed-upon procedures 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* over the financial activity of the School, and have issued our report thereon dated September 30, 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 inspected the official notice to ODE that the school was suspended, which contained an official sponsor notice from the superintendent. No exception noted.

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**Initial Notifications, Student Records and School Records (Continued)**

- b. We noted this notice occurred within 24 hours of the action which included the date of suspending of the school. The School was suspended on December 6, 2013 and officially closed September 30, 2014. No exception noted.
2. We inspected the formal letter from the school governing authority and the sponsor superintendent notifying parents that the school was closing. We noted that this letter was 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.
3. 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(s) 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 the final FTE review was completed by the Ohio Department of Education ("ODE"). ODE sent a letter to the Treasurer on November 13, 2014 indicating the School owed \$62,543 for overpayment of Foundation revenues. We have issued a finding for recovery in the agreed upon procedures report for the period of July 1, 2013 to September 30, 2014, in the amount of \$62,543 in favor of the ODE. No other exceptions 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 inspect 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 scan 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;

The listing provided showed the fair value. However, the capital asset listing did not show the USAS codes or the source of fund with which the assets were purchased. The Sponsor provided us with documentation that the School's assets were sold by a third party at an auction. The Sponsor only provided us with a list of receipts to show the allocation for the proceeds from the sale of these assets which we were able to tie the total proceeds to the confirmation received from the third party.

**Disposition of Assets (Continued)**

Due to the School's bank account being closed at the time of the sale of assets the Sponsor is holding \$6,814.13 in proceeds at the date of this report.

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 guaranteesNo exception noted
6. We inquired if the School had any real property acquired from a public school district. The School had no such property.
7. We attempted to inspect documentation that disposition of assets valued at \$5,000 or greater, purchased with Federal Title, and other consolidated and competitive funds, followed EDGAR liquidation procedures in 34 CFR 80.32. As noted in step 4 above, the asset listing did not demonstrate if the assets were purchased with Federal or State monies; as such the Auditors cannot obtain evidence to determine there were no exceptions.
8. 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.
9. 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.

The following are being held by the Sponsor in their bank account and ledgers as of the date of this report: proceeds from the sale of assets in the amount of \$6,814, a \$6,557.93 refund from the State Teachers Retirement System of Ohio received on November 17, 2015, and \$63,166.79 from the closure of the School's bank account on February 22, 2016. The Sponsor is waiting on their Legal Counsel's advice on how to distribute the funds before making further expenditures. The Sponsor has identified \$271,397.74 in outstanding invoices for the School including \$232,305.45 still owed to the Sponsor related to sponsor fees and other services provided. In addition, no court order was noted in item e.

**Preparation of Itemized Financials**

1. We attempted to scan 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; The School did not prepare financial statements or notes for the period of July 1, 2013 to September 30, 2014.

### **Preparation of Itemized Financials (Continued)**

- a. 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: We noted no exceptions.
- b. Compile bank statements for the year: We noted no exceptions.
- c. List of investments in paper hard copy format; The School had no investments.
- d. List of all payables and indicate when a check to pay the liability clears the bank; We reviewed the list of creditors; however, at the date of this report no creditors had been paid.
- e. List all unused checks (collect and void all unused checks); We noted no exceptions.
- f. List of any petty cash; We noted no exceptions.
- g. List of bank accounts, closing the accounts once all transactions are cleared; The Sponsor received access to the School's bank account on February 22, 2016 and is working with Legal Counsel to distribute funds to creditors.
- h. List of all accounts receivable. The School did not prepare financial statements, notes or any other support to show a list of accounts receivable.
- i. List of assets and their disposition. See exception above, step 4 under the Disposal of Asset section.
- j. FTE review complete and submit a copy of the Certification Form signed at the FTE review. We noted no exceptions.

### **Final Payments and Adjustments**

- 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. Any funds remaining were sent to the Ohio Department of Education, Office of Policy and Payments, for final disposition.

The following are being held by the Sponsor in their bank account and ledgers as of the date of this report: proceeds from the sale of assets in the amount of \$6,814, a \$6,557.93 refund from the State Teachers Retirement System of Ohio received on November 17, 2015, and \$63,166.79 from the closure of the School's bank account on February 22, 2016. The Sponsor is waiting on their Legal Counsel's advice on how to distribute the funds before making further expenditures. No other exceptions noted.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the School'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.

At the conclusion of our engagement, we requested the Board, the Treasurer, and the Sponsor to 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.

There are no Board members or Treasurer available to sign this representation letter. You should consider the effect, if any; this matter has on the results this report describes.

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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 25, 2017



# Dave Yost • Auditor of State

**PSCHTECIN PUBLIC SCHOOL**

**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  
FEBRUARY 14, 2017**