

# Semi-Annual Performance Report

July 1-Dec. 31, 2018

## GRANT ACTIVITIES

Between July 1 and Dec. 31, 2018, the Ohio Department of Education performed the following grant activities.

- **CSP Round 2 Subgrantee Awards:**
  - **July 3, 2018:** Approved three CSP continuation grants. Did not award new Planning, Implementation Year 1 or Year 2 grants.
- **CSP Subgrantee Monitoring:**
  - **July 10-16, 2018:** Provided review and awards discussions to all awarded subgrantees.
  - **July 26, 2018:** Fiscal Year 2018 Mid-Year Review Survey for grant compliance completed.
  - **Aug. 9, 2018:** Finalized and opened FY18 CSP Grant Progress Final Review Survey.
  - **Aug. 22, 2018:** On-site visit conducted at South Columbus Preparatory Academy to view A/C units purchased and inventory control policy.
  - **Aug. 24, 2018:** Quarterly State Charter Talk Call
  - **Sept. 12, 2018:** Technical Assistance sessions for sponsors on the 2018-2019 sponsor evaluation process.
  - **Sept. 18, 2018:** Held conference call with sponsor concerning Southwest Ohio Preparatory Academy's leadership changes.
  - **Oct. 1, 2018:** Removed from special conditions 1 (route payment) and 3 (required to submit a semi-annual report).
  - **Oct. 16, 2018:** Shared best practices with Idaho Department of Education on CSP Grant Competition and Implementation.
  - **Nov. 8, 2018:** FY18 CSP Grant Progress Final Review completed.
  - **Nov. 16, 2018:** Quarterly State Charter Talk Call
  - **Nov. 26, 2018:** USDOE quarterly technical assistance call held.
  - **Dec. 3, 2018:** FY19 monitoring timeline developed and approved.
  - **Dec. 18, 2018:** UPrep site visit conducted
- **CSP Advisory Committee:**
  - **Aug. 24, 2018:** Kaleigh Lemaster resigned from School Choice Ohio and CSP Advisory Board.
  - **Dec. 20, 2018:** Semi-Annual CSP Advisory Board Meeting to discuss the updated bylaws, draft semi-annual report and round 3 (Expansion/Replication) competition.
- **Independent Monitor:**
  - **July 2-6, 2018:** All requested Agreed-upon Procedures items submitted for review by the independent monitor.
  - **July 26, 2019:** Independent monitor assigned access to CSP Grant Compliance and Comprehensive Continuous Improvement Planning Application (CCIP) for his review.
  - **Aug. 10, 2018:** Independent monitor was given clarity on items concerning the CSP Compliance Walk-Through.
  - **Aug. 22-Sept. 18, 2018:** Independent monitor was provided CSP subgrantee expenditures and draw and reconciliation process items, per his request.
  - **Oct. 3, 2018:** CSP Agreed-upon Procedures Report for the FY18 monitoring period released.
  - **Oct. 10, 2018:** CSP Agreed-upon Procedures Report conference call held to discuss report and report findings.
  - **Oct. 12, 2018:** Provided to Independent Monitor for review the subgrantee treasurer contracts and surety bonds, along with an explanation on how the contracts/bonds are collected.
  - **Oct. 18, 2018:** Final revised Independent Monitor Report received (dated Oct. 15, 2018).
  - **Dec. 12, 2018:** Independent Monitor Response Report CAP Tracker sent to USED.
- **CSP Round 3 (ESSA Flexibility)**

- **Nov. 30, 2018:** Initial draft RFA timeline discussion.
- **Dec. 6, 2018:** Engaged with the Department Implementation Unit on RFA timeline.
- **Dec. 12, 2018:** Shared proposed eligibility criteria for Round 3 for expansion with USED.
- **Dec. 20, 2018:** Work meeting to finalize draft RFA timeline.
- **WestEd Monitoring:**
  - **Dec. 14, 2018:** Received tentative date of Aug. 26, 2019, for on-site monitoring.

**GRANT EXPENDITURES:**

\$366,504.88 were expended from the grant for the current reporting period.

**UPDATE ON GRANT PROJECT TIMELINES:**

The project timeline has been updated.

\*Attached: Ohio CSP Workplan

## UPDATES ON AUDIT FINDINGS AND RESOLUTIONS OF AUDITS INVOLVING CHARTER SCHOOLS IN OHIO, INCLUDING THE AUTHORIZERS' RESPONSIBILITIES AND INVOLVEMENT

Attached: Appendix C 11 30 2018 CS Audit Reports

Appendix C provides a biannual update on the community school audit findings and resolutions for Fiscal Years 2015 through 2018 that have occurred since the July 2018 report. This update includes the number of community school audits performed by the Auditor of State, a summary of new community school financial audits and findings, information on special audits on community schools and resolutions, and an update on findings for recovery that have been resolved by the Attorney General's Office. Appendix C includes information for single audits issued during this reporting period and includes separate spreadsheets on active findings for recovery and amounts collected by the Attorney General's Office during this period.

The Auditor of State's office performs financial audits (regular and single audits) and various other special audits, retirement system examinations and agreed-upon procedures of community schools. Regular financial statement audits are independent, objective evaluations of an organization's financial reports and financial reporting processes. The primary purpose of regular financial audits is to give regulators, investors, directors and managers reasonable assurance that financial statements are accurate and complete.

Single audits combine the annual financial statement audit with additional audit coverage of federal funds. The single audit is intended to meet the basic audit needs of both the non-federal entity and federal awarding agencies. Before Dec. 26, 2014, all community schools receiving at least \$500,000 annually required a single audit. All awards made on or after Dec. 26, 2014, were subject to the Uniform Guidance, which sets the threshold at \$750,000 or more.

The Auditor of State may declare community schools as "unauditable." The auditor finds a school unauditable if its financial records are not sufficient to complete an audit. Lawrence County Academy previously was identified as being on the unauditable list for FY15. An audit report was released during this reporting period. Therefore, the school is no longer on the list. No other community schools are on the list.

### 1. Auditor of State Community School Audit Updates

The Auditor of State completed and issued one FY15, three FY16, 39 FY17 and 12 FY18 community school audit reports since the Department's last report to the U.S. Department of Education. This includes 50 financial audits and five other audits. Table 1 reflects the audit reports released between June 1, 2018, and Nov. 30, 2018.

**Table 1: Community School Audit Reports – Summary by Type**

Fiscal Year	Regular Audit	Single Audit	Other Audits	Total Audits
2018	7	1	4	12
2017 ^	38	1	0	39
2016 *	2	0	1	3
2015	1	0	0	1
<b>Total</b>	<b>48</b>	<b>2</b>	<b>5</b>	<b>55</b>

^ Three regular audit reports are for FY16 and FY17 financial activity.

\* One other audit report is for FY15 and FY16 financial activity.

2. New Financial Audit Findings — All Fiscal Years

The Auditor of State issued two single audit reports during the reporting period. Findings were released for one of the schools. Table 2 has been updated to reflect this number and to provide updates on management decisions issued during this reporting period.

**Table 2: Financial Audits – Summary of Single Audit Community School Findings**

Year	Single Audit Reports	Single Audits Findings		Findings for Recovery	
		Schools	Unresolved	Schools	Unresolved *
2018	1	0	0	0	0
2017	1	1	1 (pending management decision)	0	0
<b>Total</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

\* “Unresolved” means the findings for recovery were not repaid under audit and have not been certified to the Attorney General’s office as of the end of this reporting period. There are no audit reports in this category for the current reporting period.

Appendix C includes a summary of the audit findings not previously reported. The Department will continue to review the single audit reports and make management decisions pursuant to 2 CFR § 200.521(d). Information on decisions made during this reporting period are listed in the “Prior ‘In Process’ Audits” spreadsheet.

3. Summary of Resolutions for Previously Unresolved Findings

The Department received an updated report on the status of findings for recovery being handled by the Attorney General’s office. Findings for recovery in “active” collection status are listed in Appendix C. (See the “Active FFRs-Collections” and “Active FFRs-No Collections” spreadsheets.)

During this reporting period, the Auditor of State issued findings for recovery to five schools. Amounts for three of the schools were repaid under audit. The amount for one school was certified to the Attorney General’s office, and the amount for the final school is still pending resolution.

4. Other Audit Findings

The Auditor of State performed four retirement system compliance audits and one non-GAGAS audit for a community school that was previously on the unauditible list. There were no findings for the retirement system compliance audits. Table 3 provides an overview of the findings in the non-GAGAS audit report.

**Table 3: Summary of FY15 and FY16 Non-GAGAS Audit**

Community School	Summary of Findings
Lawrence County Academy	<p>Findings: 1) The Academy did not maintain an accounting system or account records sufficient to prepare financial statements. Also, the monthly reconciliations of the accounting records included inaccuracies, and the monthly and fiscal year-end close-outs were not performed timely. Reconciliations provided to the Board through November 2015 contained inaccuracies. 2) The Lawrence County Educational Service Center served as the Academy's sponsor. The Center's Treasurer was appointed as the Academy's fiscal agent/sponsor. There was no evidence that anyone from the Lawrence County Educational Service Center not directly involved with the Academy reviewed or evaluated the finances or financial records of the Academy. The Center Treasurer posted the Academy's Foundation monies, casino monies, and interest earned on bank account as receipts to the Center's General Fund and failed to adjust the receipts out of the Center's cost center. The Treasurer was unable to determine how much the Academy owed the Center, and reported inaccurate financial information to the Academy's Board. 3) There was no evidence that FY15 wire transfers or related invoices were approved, and no evidence that the Academy's Board approved the transactions. Salaries and benefits for staff in the special education cooperative were charged to the Academy. However, the cooperative is not related to the Academy. Also, there were delays between posting memo checks to the accounting system and wire transfers of funds between accounts. Memo checks had no support documentation, and there was no segregation of duties. 4) The Center's taxpayer identification number was used when the Academy's accounts were initially opened. Overdraft protection was provided through the Academy's bank account. As a result, the bank transferred funds from the Academy's account each time the Center's payroll bank account was overdrawn. The Academy's fiscal agent issued memo checks and wire transferred funds as opposed to correcting the erroneous transfers. The fiscal agent also used some of the amount to offset purchased services that had not been billed at the time. 5) Finding for Recovery of \$233,731 issued against the Lawrence County Educational Services Center and the Treasurer in favor of the Lawrence County Academy General Fund for: \$196,965 charged to the Academy for employees of the Center's special education cooperative; \$5,631 charged to the Academy for the Center Treasurer's compensation and fringe benefits; a \$31,135 duplicate payment made to the Center for the Academy's administrative services fees. The findings have not been certified to the Attorney General's Office. 6) Board minutes were not signed, and there was no indication the financial information was approved. Also, the Academy's fiscal agent did not provide the Board with a listing of disbursements or support documentation for calculations for purchased services billings. Financial reports were not consistently approved by the Board. 7) Center invoices to the Academy lacked support, and transfers from the Academy to the Center were not made timely. Also, excess Academy funds were returned to districts of the Academy Board members. It is ODE's position that there is no legal authority for a school to simply send unused funds beyond the amounts statutorily permitted to its sponsor. 8) The Center's contract with Haugland Learning Center did not clearly establish daily rates for educating autistic and <b>mentally disabled</b> students. The Center's Superintendent and Academy Director calculated a daily rate and manually calculated the amount owed based on attendance information and the amount owed the Center for administrative services. 9) The Academy's FY15 annual report was filed almost 6 months after the extension due date. 10) The Academy used the blended learning model, but there was no documentation to support the Academy provided ODE information of the method/model of blended learning that the Academy would follow. 11) There was no documentation to support the Center verified the governing board had no findings for recovery issued against them. 12) The Academy did not maintain proper attendance documentation, and had no evidence that certain documents were verified. Also, withdrawal forms and enrollment forms were not available for all files tested.</p>