



**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

General Johnnie E. Wilson Military Academy
Cuyahoga County
8555 Hough Avenue
Suite 219
Cleveland, Ohio 44106

To the Board of Trustees:

We were engaged to audit the financial statements of the General Johnnie E. Wilson Military Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2004. The financial statements are the responsibility of the Academy's management.

Although the Academy provided financial statements, we were unable to verify the completeness, valuation, or existence of the amounts reported in these statements. The Academy did not provide adequate documentation to support the amounts reported as cash and cash equivalents on the balance sheet. The Academy did not provide complete and accurate bank reconciliations. We received no listing of outstanding checks.

The Academy did not provide accounting records of the revenues and expenditures or original supporting documentation for payments made to vendors. The Academy failed to provide documentation to support the amounts paid to the employees of the Academy or records of the payments made to the non-teaching personnel.

The accompanying financial statements omit all note disclosures required by generally accepted accounting principles. The cash flow statement was not prepared as required by generally accepted accounting principles.

Since the Academy did not provide the evidence described in paragraphs two through four above, the scope of our auditing procedures was not sufficient to enable us to express, and we do not express an opinion on the financial activity of the Academy.

In addition, the Academy did not prepare the financial statements presented in accordance with Governmental Accounting Standards Board (GASB) Statement number 34 for June 30, 2004. Since the financial statements are not presented in accordance with GASB 34, the financial statements are not in conformity with Accounting Principles Generally Accepted in the United States of America.

The General Johnnie E. Wilson Military Academy did not disclose that its sponsor closed the Academy as a community school in February 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2006 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing.

Generally accepted accounting principles also requires the Academy to include Management's Discussion and Analysis for the year ended June 30, 2004. The Academy has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 4, 2006

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**Balance Sheet
June 30, 2004
Without Audit**

ASSETS

Current Assets		
Cash	\$391,111	
Total Current Assets		\$391,111
Fixed Assets		
Office Equipment	3,057	
Total Fixed Assets		3,057
Total Assets		\$394,168

LIABILITIES

Current Liabilities		
Payroll Taxes	\$14,876	
Current Wages	8,375	
Back Pay	52,661	
Contract	7,790	
Child Support	1,470	
Total Current Liabilities		\$85,172

EQUITY

Surplus		\$308,996
Total Liabilities and Equity		\$394,168

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**INCOME AND EXPENSE STATEMENT
From July 1, 2003 To June 30, 2004
Without Audit**

REVENUE

ADM REVENUE		\$465,336
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EXPENSES

Salaries	\$113,477	
Payroll Tax	26,004	
Uniform/Patches/Supplies	4,133	
Contracts	1,338	
Office supplies	149	
Membership Fees (Staff)	120	
Other	1,779	
Bank Charges	99	
 Total Expenses		 \$147,099
 Balance		 \$318,237



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

General Johnnie E. Wilson Military Academy
Cuyahoga County
8555 Hough Avenue
Suite 219
Cleveland, Ohio 44106

To the Board of Trustees:

We were engaged to audit the financial statements of the Johnnie E. Wilson Military Academy, Cuyahoga County, Ohio, (the Academy) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 4, 2006. Our report indicated that the Academy did not provide the note disclosures or cashflow statement as required by generally accepted accounting principles, accounting records of the revenues and expenditures or original supporting documentation for payments made to vendors, and failed to provide documentation to support the amounts paid to the employees of the Academy or records of the payments made to the non-teaching personnel, therefore, we did not express an opinion on the financial activity of the Academy. In addition, our report indicated the School did not prepare the financial statements presented in accordance with Governmental Accounting Standards Board (GASB) Statement number 34 for June 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our engagement, we were unable to consider the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we considered reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Academy's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as 2004-001 and 2004-008 through 2004-012.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-001 and 2004-008 through 2004-012 to be material weaknesses.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-002 through 2004-007.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 4, 2006

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Even though the Academy closed in February 2004, recommendations are included should the Academy reopen or a related academy open.

FINDING NUMBER	2004-001
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Assets Remaining After School Closure

Ohio Rev. Code Section 3314.074(A) states that if any community school established under this chapter permanently closes and ceases its operation as a community school, the assets of that school shall be distributed first to the retirement funds of employees of the school, employees of the school, and private creditors who are owed compensation and then any remaining funds shall be paid to the state treasury to the credit of the general revenue fund.

On December 8, 2003 the Cleveland Municipal School District, (the District) prepared a Notice of Probationary Status to the Academy outlining various weaknesses. On December 22, 2003, the District granted a request for a hearing regarding the probationary status of the Academy to be held January 14, 2004. On February 23, 2004 a Notice of Community School Termination was mailed to Academy. In this notice, the District advised the Academy that the District would assume operation of the Academy effective February 17, 2004. Section B 21 of the community school contract between the Sponsor and the Academy outlines the steps to suspend the operation of the Academy.

The net foundation payments received by Academy after February 17, 2004:

Date	Warrant #	Amount
5/10/04	4459762	\$ 115,510.53
6/7/04	4555227	170,243.25
6/14/04	4576865	3,000.00
		\$ 288,743.78

A court suit was filed by various individuals on June 3, 2004 in the Court of Common Pleas, Cuyahoga County alleging the Academy owed them money for work performed based on employment contracts and unpaid invoices.

On June 6, 2004 the court directed that all funds which were received by the Academy were to be placed in escrow with the court. Funds to be deposited included but were not limited to \$115,000.51 sent in May 2004, and \$170,243.25 sent on June 3, 2004 from the State. The Academy also received \$3,000 payment for a Management Information

On June 29, 2004, \$288,654.70 was deposited in escrow, by Colonel Britton.

On September 16, 2004 a Settlement conference was set for December 16, 2004.

On December 28, 2004, a Settlement conference was held and an agreement was reached between all parties to satisfy and settle the case.

On December 28, 2004, \$285,668.15 was released to the law firm of Nicola, Gudbranson, and Cooper for distribution to all parties as agreed to in the settlement conference.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER	2004-001
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Assets Remaining After School Closure (Continued)

Final distribution of these funds was as follows: (All funds distributed)

<u>Date</u>	<u>Check #</u>	<u>Payee</u>	<u>Amount</u>
12/28/04	2280	Dawn Crenshaw-Mitchell	\$ 23,231.57
12/28/04	2281	Mark Mitchell	33,397.40
12/28/04	2282	Colonel Lawrence C. Jones	52,118.92
12/28/04	2283	Colonel Norman Steel	62,215.05
12/28/04	2284	Milano Weiser	15,000.00
12/28/04	2285	Kathryn Eloff	925.00
12/30/04	2296	Chriszt McGarry Co.	4,065.26
12/30/04	2297	Nicola, Gudbranson, and Cooper	17,171.85
1/12/05	2305	Goldfish Uniform Store Stanley Stein	4,452.65
1/21/05	2314	Academy	<u>73,090.45</u>
Total			\$285,668.15

When a settlement was reached approved by the Court, \$73,090 was in returned to the Academy. Of the funds returned expenditures were made in the amount of \$39,557 which were supported by copies of cancelled checks or bank credits and the remaining \$33,533 was on deposit in the Academy's bank account.

In addition, the Academy had prepared federal Form W-2 Wage and Tax Statements for the payrolls which were issued during the year 2005. No evidence could be located that these withholdings were transmitted to the appropriate agencies. Also, the school Administrator supported the finding that withholdings were not forwarded to the appropriate agencies.

Once all legal issues have been rectified, we recommend the Academy submit the withholdings to the appropriate agencies along with the required tax filing forms. Also, the remaining funds, on deposit should be forwarded to the State Treasury to the credit of the general revenue fund.

FINDING NUMBER	2004-002
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Books, Records of Accounts, and Minutes

Ohio Revised Code Section 1702.15 provides in part that each corporation shall keep correct and complete books and records of account, together with minutes of the proceedings of its incorporators, members, directors, and committees of directors or members.

The Academy failed to maintain correct and complete books and records of account and maintain files of original supporting documentation for payments.

We recommend the Academy maintain financial records which are correct, complete, and accurate. If necessary the Academy should research and attend related training sessions to ensure adequate maintenance of books and records of account. All records should be self-standing, capable of being understood by someone other than the preparer.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-003
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Financial Report Filing

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within one hundred and fifty days after the close of the fiscal year for entities reporting on a GAAP basis. 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. In part this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and,
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03 (B) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all school districts, including educational service centers and community schools, shall file their annual financial reports pursuant to generally accepted accounting principles. Generally accepted accounting principles (GAAP) require the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and,
- Notes to the financial statements as prescribed by GAAP;

The Academy has not filed its financial statements for the year ended June 30, 2004, which was their first year of operation.

We recommend the Academy organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Academy may be assessed a late filing penalty.

FINDING NUMBER	2004-004
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Education Management Information System (EMIS)

Ohio Revised Code Section 3314.17 requires community schools to follow the requirements of Ohio Revised Code Section 3301.0714. This section provides for the Ohio Department of Education (ODE) to establish guidelines for a statewide Education Management Information System (EMIS). In response to the legislative mandate, ODE adopted the rule for school districts requiring the development and implementation of a statewide EMIS. Each school district must periodically collect and report the required information to the ODE, as required by the EMIS manual. This required information consists of the following:

Section A prescribes:

- Standards identifying and defining the type of data in the system;
- Procedures for annually collecting and reporting the data;
- Procedures for annually compiling the data;
- Procedures for annually reporting the data to the general public;

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-004
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Education Management Information System (EMIS) (Continued)

Section B prescribes:

- Guidelines outlining what information should be maintained in the system;

Section C prescribes:

- The education management information shall include cost accounting data for each district as a whole and by building;

Section D prescribes:

- Guidelines which require information about individual students, staff members, or both; and,

Section E further prescribes

- Guidelines which describe any and all special reports which may be required.

In addition, Section 117-6-01(B) of the Ohio Administrative Code and, Chapter 4, Section 4.1 of the EMIS manual prescribe that each school district must maintain its records on the Uniform School Accounting System (USAS). This system involves an account structure with distinct dimensions. To meet these requirements it is necessary for the Academy to maintain its financial records at specified minimum levels of detail for each dimension.

The Academy failed to meet the reporting and record keeping requirements as outlined above. The Academy did not properly file EMIS reports nor did the Academy maintain its financial records in accordance with the requirement of the USAS system.

We recommend the Academy review the agreed upon requirements of the Community School Contract, the above noted sections of the Ohio Revised Code, and the Ohio Administrative Code which are part of the contract and are very specific as to this requirement. The Academy has no options in the implementation and use of this system.

FINDING NUMBER	2004-005
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Fiscal Officer Designation Bonding Requirement

Ohio Revised Code Section 3314.011 provides the Academy designate an individual as the fiscal officer. The Ohio Administrative Code (OAC) Section 117-6-07 (B) requires the fiscal officer execute a bond prior to entering upon the duties of the fiscal officer. Subsection (B) (1) provides that the bond amount and surety is to be established by resolution of the governing authority. Subsection (B) (2) requires the bond be payable to the state of Ohio, and Subsection (B) (3) states that bonding is conditioned on the faithful performance of the employee's official duties. Additionally, Subsection (C) requires the bond be deposited with the governing authority, and Subsection (D) requires a copy of the bond certified by the governing authority be filed with the county auditor of the county in which the community school is located. Should an error or theft occur without a performance bond, the Academy may not be able to recover any funds that are lost.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-005
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Fiscal Officer Designation Bonding Requirement (Continued)

In addition, Ohio Revised Code Section 3314.011 provides that prior to assuming the duties of fiscal officer, the fiscal officer designee shall be licensed as prescribed by Section 3301.074 of the Revised Code or shall complete not less than sixteen hours of continuing education classes in the area of school accounting as approved by the sponsor of the community school. Any fiscal officer who is not licensed under this section shall complete an additional twenty-four hours of continuing education within one year after assuming the duties of fiscal officer of the school.

The Board did not execute a bond for the position of fiscal officer (treasurer) nor did the Board set the amount of the surety, but the Board did designate an individual as a fiscal officer. Also, the individual designated as fiscal officer failed to obtain the necessary license or training prior to assuming the position of fiscal officer.

The Board appointed an individual as assistant to the fiscal officer and a faithful performance bond was on file for the assistant fiscal officer. However the assistant fiscal officer did not have the necessary license or training for the position as prescribed.

We recommend the Academy review the provisions of Ohio Revised Code Sections 3314.011 and 3301.074, as well as and OAC Section 117-6-07 and take the necessary steps to ensure that the fiscal officer is identified by the Board the individual is adequately bonded and is licensed or has completed the required continuing education training.

FINDING NUMBER	2004-006
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Five-Year Revenue and Expenditure Projection

Ohio Revised Code Section 3314.03(A)(15) provides that the Academy is required to prepare a financial plan detailing an estimated school budget for each year of the period of the contract and specify the total estimated per pupil expenditure amount for each such year. The plan shall specify the yearly base formula amount that will be used for purposes of funding calculations under section 3314.08 of the Ohio Revised Code. This base formula amount for any year shall not exceed the formula amount defined under section 3317.02 of the Revised Code. The plan may also specify for any year a percentage figure to be used for reducing the per pupil amount of the subsidy calculated pursuant to section 3317.029 of the Revised Code the school is to receive that year under 3314.08 of the Revised Code.

Although the Academy had prepared a projected budget for the fiscal year 2004, we could not locate any evidence the Academy prepared the financial plan as required. Consequently, the Board was not able to approve a spending plan or approve the assumptions of the financial management in dealing with the finances of the Academy. This could lead to unplanned future deficits.

We recommend the Academy review the requirements of Ohio Revised Code Section 3314.03 and take the necessary steps to meet this requirement, including obtaining the approval of the governing board and reviewing the appropriateness of the amounts included in the estimated budget.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-007
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Community School Sponsor

Ohio Rev. Code Section 3314.07 (B)(1)(a)-(d) provides that the Cleveland Municipal School District, as the General Johnnie E. Wilson Military Academy's sponsor, has the right to terminate General Johnnie E. Wilson Military Academy's contract prior to its expiration for any of the following reasons:

1. General Johnnie E. Wilson Military Academy's failure to meet student performance requirements stated in the contract;
2. General Johnnie E. Wilson Military Academy's failure to meet generally accepted standards of fiscal management;
3. General Johnnie E. Wilson Military Academy's violation of any provisions of the contract or applicable state or federal law; or
4. Other good cause.

On February 17, 2004, the sponsor, the Cleveland Municipal School District, assumed operation of the Academy. The Academy was unable to assure the sponsor that General Johnnie E. Wilson Military Academy complied with the provisions of its contract with ODE and all applicable state and federal laws.

This matter will be referred to ODE for any action it deems applicable.

FINDING NUMBER	2004-008
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Cash Flow Statements as required by Generally Accepted Accounting Principles

Governmental Accounting and Financial Reporting Standards codification sections 2200.161 and 2200.171 provide the following basic financial statements which are necessary for separately issued General Purpose Financial Statements to be presented fairly in conformity with generally accepted accounting principles:

- Combined Balance Sheet;
- Combined Statement of Revenues, Expenditures, and Changes in Retained Earnings;
- Combined Statement of Cash Flows; and,
- Notes to the Financial Statements.

Governmental Accounting and Financial Reporting Standards codification section 2450.101 through 2450.132 establishes the standards for reporting cash flows statements.

Although the Academy filed their cash flow statements with its financial statements, they were not prepared in the proper format as provided by the above identified sections of the Governmental Accounting and Financial Reporting Standards. The improper preparation of reports could result in misleading financial statements.

We recommend that the Academy review the provisions of this section of the Governmental Accounting and Financial Reporting Standards and apply its contents as cash flow statements are prepared.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-009
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Note Disclosures Required by Generally Accepted Accounting Principles

Governmental Accounting and Financial Reporting Standards codification section 2300.106 states, the notes to the financial statements are essential to the fair presentation of the financial statements. They are intended to communicate information that is necessary and that cannot be included in the financial statements themselves. The notes provide necessary disclosure of material items, the omission of which would cause the financial statements to be misleading. The notes are an integral part of the financial statements and are intended to be read with the financial statements. The more significant notes are identified as follows:

- Summary of significant accounting policies;
- Budgeting;
- Receivables;
- Fixed Assets;
- Definition of cash and cash equivalents used in the statement of cash flows;
- Policy regarding the use of FASB pronouncements;
- Cash deposits with financial institutions;
- Investment (if applicable);
- Purchased Services;
- Risk Management;
- Debt service requirements to maturity;
- Significant contingent liabilities;
- Significant effects of events subsequent to the balance sheet date; and
- Annual pension costs and obligations; and commitments under leases.

The above identified notes to the financial statements are not all inclusive and additional disclosures should be made if necessary. The Academy did not present notes to the financial statements.

It is vital that the Academy develop and present financial statements which are comprised of all required financial statements and disclosures. Without these disclosures the financial statements are incomplete, could be misinterpreted, and improper conclusions could be reached.

FINDING NUMBER	2004-010
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Accurate Balances as of the Balance Sheet Date

Management is responsible for maintaining records which accurately record the financial position of the Academy. During this engagement, we were unable to determine the completeness, existence and valuation of the amounts recorded in the financial statements.

Without accurate and complete presentation the financial position of the Academy cannot be determined. Also, in the absence of complete and accurate records, the Academy could experience losses, lose assets, and have debt amounts in excess of their ability to repay.

It is imperative that accurate and complete records which exhibit true balances be maintained. If necessary, the Academy management should seek training sessions for financial statement preparation, read and study the available authoritative literature, and develop a program of recordkeeping which will provide assurance of financial statement accuracy and integrity.

**GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER	2004-011
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Condition of Accounting Records

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Academy. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted that the records consisted of the following:

- Monthly bank statements, some canceled checks, copies of original invoices which were received from vendors for items purchased, and financial statements;
- The files of canceled checks were incomplete;
- Supporting documentation for non-payroll expenditures was lacking or non-existent;
- No records existed of Board approval for employee salary and/or wage rates;
- Fixed asset records did not exist;
- There was no evidence of the Board reviewing or approving any of the financial activity of the Academy; and
- Footnotes to the financial statements were not prepared as required of the disclosures by Government Accounting Standards Board (GASB).

We recommend the Academy develop and maintain a system of controls and financial records which exhibit the financial position of the Academy, and at a minimum, consist of the following:

- Revenue ledgers which record all sources of monies received, purpose of the receipt, and from whom received;
- Sequentially numbered duplicate receipts prepared for all monies received;
- Copies of all deposit transactions to the bank;
- Reconciliations of bank deposits to duplicate receipts and revenue ledgers;
- Development of a system to document approvals for expenditures made;
- Expenditure ledgers which record all expenditures of monies and the purpose of the expenditure;
- Files which consist of the original invoices received for all expenditures made which cross reference to the checks prepared for the payment of the invoices (if invoices are not filed with the canceled checks);
- Files of all canceled checks returned from the bank;
- Complete and accurate listings of all outstanding checks at the end of each month;
- Complete and accurate monthly bank to book reconciliations;
- Preparation of monthly financial statements;
- Footnotes to the financial statements should disclose information concerning donations to the Academy, related party transactions, full disclosure of loans made to the academy, and all other disclosures as required by the Government Accounting Standards Board.

The Academy management has available numerous sources of information describing the process of internal controls, recordkeeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this literature and training sessions.

GENERAL JOHNNIE E. WILSON MILITARY ACADEMY
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER

2004-012

Authorized Bank Signatories

During our review of the authorized check signatories, it was noted that checks were being signed by two individuals, Charles O. Britton, Executive Director of the Academy and John Sabal, who was a member of the Board of Trustees. According to the bank records, Charles O. Britton was an authorized signatory as witnessed by the bank signature cards; however John Sabal was not an authorized signatory.

Checks could be returned unpaid due to unauthorized signatures on the checks.

We recommend the Board review the approved check signers and ensure that only those who are authorized to sign checks do so.



**Auditor of State
Betty Montgomery**

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GENERAL JOHNNIE E. WILSON MILITARY ACADEMY

CUYAHOGA 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
OCTOBER 19, 2006**