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January 9, 2019

Charter School Board
Circle City Preparatory, Inc.
4002 N Franklin Rd.
Indianapolis, IN 46226

We have reviewed the Supplemental Audit Report for Circle City Preparatory, Inc. prepared by Donovan CPAs, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report. Pages 3 through 4 contain seven audit results and comments. Management's response is on page 6.

The Supplemental Audit Report and associated audited Financial Statements are filed in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL AUDIT REPORT
OF
CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

July 1, 2017 to June 30, 2018



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CIRCLE CITY PREPARATORY, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2017 to June 30, 2018

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Jennifer Bartenbach	07/01/17 – 06/30/18
School Leader	Megan Murphy	07/01/17 – 06/30/18
Treasurer	Sharnell Johnson	07/01/17 – 06/30/18



Donovan CPAs

The Board of Directors
Circle City Preparatory, Inc.

We have audited the financial statements of Circle City Preparatory, Inc. (the “School”) as of and for the year ended June 30, 2018 and have issued our report thereon dated December 14, 2018. As part of our audit, we tested the School’s compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Indianapolis, Indiana
December 14, 2018

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CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

RECEIPTS AND DEPOSITS

We selected a sample of 40 receipts from throughout the year for testing. The School was unable to provide documentation to allow for tracing of the receipts to specific deposits. Additionally, the School did not indicate the form of payment on four receipts.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

TRAVEL CLAIMS

The School could not provide support for one of the three travel claims selected for testing.

The charter school shall only reimburse employees for travel expenses when appropriate claims are submitted. The claims must be in writing, itemized, and supported with original receipts, and documentation that the trip was for charter school business. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CREDIT CARD POLICY AND COMPLIANCE

The School could not provide supporting invoices for two of five credit card statements selected for testing.

Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

PAYROLL POLICIES AND COMPLIANCE

The School did not maintain timecards for hourly employees.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. Supporting documentation, such as time cards, must show signs of supervisory approval. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Audit Results and Comments

July 1, 2017 to June 30, 2018

TEXTBOOK RENTAL AND SCHOOL LUNCH REPORTING

The School did not provide support for the submission of the School Food Authority (SFA) Verification Collection Report that is required to show verification of 3% of student applications.

The governing board is charged with the duty to preserve, keep, maintain, or file all the official records of the political subdivision pursuant to IC 5-15-1-1.

REQUIRED REPORTS

We reviewed both biannual Form 9 reports filed by the School for the fiscal year. Although the ending cash balance per the Form 9 agreed to the ending cash balance per the School's trial balance, individual funds did not reflect actual activity in those funds during the year.

Charter schools are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

MINIMUM INTERNAL CONTROL STANDARDS

Per review and discussion with school personnel, it was determined that the School was not in compliance with the minimum internal control requirements as set forth by IC 5-11-1-27(g). The standards were not adopted, but some personnel did receive training.

After June 30, 2016, the legislative body of a political subdivision shall ensure that:

1. the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
2. personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

(IC 5-11-1-27(g))

CIRCLE CITY PREPARATORY, INC.

MARION COUNTY, INDIANA

Exit Conference

July 1, 2017 to June 30, 2018

The contents of this report were discussed on December 14, 2018, with Jennifer Bartenbach (President of Board of Directors), Megan Murphy (School Leader), Courtney Eckerle (Manager of Operations) Brian Anderson and Kim Ballin (Innovative Education Solutions). The official response has been made a part of this report and may be found on page 6.



CIRCLE CITY PREPARATORY CHARTER SCHOOL

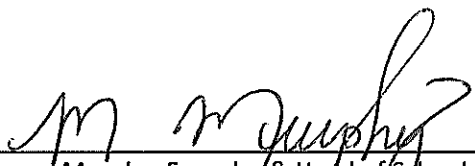
December 17, 2018

Donovan CPAs
9292 N. Meridian Street, Suite 150
Indianapolis, IN 46260

Growing from 78 to 130 students from our first to our second year of operation has allowed Circle City Prep to add stability to our small staff. This in turn has allowed us to already implement improvements in our systems. Circle City Prep has or will take the following actions to address the FY2018 supplemental audit report comments:

1. We have established a process that allows us to better issue individual receipts for cash and checks received at the school.
2. We already had a process in place to appropriately process travel claims, but we now also have improved office staff capabilities and stability. With slightly more staff and less turnover, it is less likely that back-up documentation will be misplaced.
3. We have implemented a new credit card tracking and reconciliation process and will continue to improve in this area.
4. We have since submitted the proper textbook and SFA collection report and have a process to do that.
5. We will continue to submit Form 9 information on time and reconcile to our cash position. We will seek ways to better align individual fund cash reporting with the accrual adjustments and retroactive reimbursements that can make that challenging.
6. We will document what we have already done, including having appropriate individuals watch the required internal control training presentation.

Sincerely,



Megan Murphy, Founder & Head of School