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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

March 17, 2021

Charter School Board
Options Charter School – Carmel, Inc.
530 W Carmel Dr.
Carmel, IN 46032

We have reviewed the Supplemental Audit Report for Options Charter School – Carmel, Inc. prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. 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 four audit results and comments. Management's response is on pages 6 through 9.

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
OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
JULY 1, 2019 TO JUNE 30, 2020**



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**OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
TABLE OF CONTENTS
JULY 1, 2019 TO JUNE 30, 2020**

SCHOOL OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
AUDIT RESULTS AND COMMENTS	3
EXIT CONFERENCE	5
OFFICIAL RESPONSE	6

**OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2019 TO JUNE 30, 2020**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	Matt Abbott	7/1/19 – 6/30/20
School President and CEO	Mike Gustin	7/1/19 – 6/30/20
CFO	Jake Brandau	7/1/19 – 6/30/20
School Treasurer	Jack Colwell	5/1/20 – 6/30/20



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Options Charter School - Carmel, Inc.
Carmel, Indiana

We have audited the financial statements of Options Charter School - Carmel, Inc. (the School) as of and for the year ended June 30, 2020 and have issued our report thereon dated January 25, 2021. 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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
January 25, 2021

OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020

RECEIPTS AND DEPOSITS

Eight (8) of the forty (40) cash receipts tested from the School's receipt books were not properly receipted. We noted that these errors occurred because the School improperly used a related school's receipt documents rather than the proper receive documents for Options Charter School – Carmel, Inc.

All charter school money must be deposited with timely and proper receipts to provide the organizer and charter school administration with current information necessary for all financial decisions (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

AVERAGE DAILY MAINTENANCE (ADM) TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records. The following issues were noted in completing ADM testing of ninety (90) students.

- Student files for 49 selections were missing the student birth certificate.
- The School had one (1) virtual student absent on count day with no engagement in the 2 weeks before count day and no record of re-engagement efforts for the period subsequent to count day. Compliance requirements require the school to actively pursue re-engagement up to student dismissal if a student is absent on count day and no record of engagement is available for the 2-week period prior to count day.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 9).

OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2019 TO JUNE 30, 2020

AVERAGE DAILY MAINTENANCE (ADM) TESTING (CONTINUED)

School officials shall contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment applicable to the School because of incorrect reporting.

CREDIT CARD TESTING

Five (5) of the five (5) credit card payments selected for testing had missing receipts. Missing receipts totaled \$5,417 out of total credit card expenses tested of \$35,450.

Payment of credit cards is to not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

FORM 9

The cash balances reported on the Form 9 reports filed for December 31, 2019 and June 30, 2020 did not agree to accounting records due to a loan balance recorded incorrectly in Komputrol and due to a timing difference in how payroll withholding amounts appear to be recorded in Komputrol compared to the School's accounting system. Variances noted were as follows:

Form 9 Report Period Ended	Beginning Cash Variance	Ending Cash Variance
December 31, 2019	\$2,808	\$8,097
June 30, 2020	8,097	14,981

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

**OPTIONS CHARTER SCHOOL - CARMEL, INC.
HAMILTON COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2019 TO JUNE 30, 2020**

The contents of this report were discussed with Jake Brandau, Controller, Mike Gustin, CEO and Matthew Abbott, Board Member on December 28, 2020. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found in the attachment.



Date: January 21st, 2020

To: CliftonLarsonAllen LLP

From: Jacob Brandau, Chief Financial Officer

Reason: **Audit Response for Options Charter School- Carmel**

Issue One: RECEIPTS AND DEPOSITS

Eight (8) of the forty (40) cash receipts tested from the School's receipt books were not properly receipted. We noted that these errors occurred because the School improperly used a related school's receipt documents rather than the proper receive documents for Options Charter School – Carmel, Inc.

All charter school money must be deposited with timely and proper receipts to provide the organizer and charter school administration with current information necessary for all financial decisions (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8).

Issue One: Response

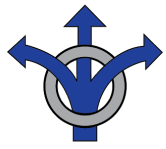
This issue is due to a one-time accidental switch of pre-printed receipt forms between the two charter corporations that we had during FY20. This error will no longer be possible due to the consolidation of the two charter corporations into a single Options Charter Schools corporation during FY21.

Issue Two: ADM TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records. The following issues were noted in completing ADM testing of ninety (90) students.

- Student files for 49 selections were missing the student birth certificate.
- The School had one (1) virtual student absent on count day with no engagement in the 2 weeks before count day and no record of re-engagement efforts for the period subsequent to count day.

Compliance requirements require the school to actively pursue re-engagement up to student dismissal if a student is absent on count day and no record of engagement is available for the 2-week period prior to count day. Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9). Only Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the



Options Schools

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number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 9). School officials shall contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment applicable to the School because of incorrect reporting.

Issue Two: Response

The first finding referring to registration and birth certificates was an error in filing the birth certificate copies. The necessary registration items were obtained at enrollment but birth certificate copies were not retained properly in paper files. This issue has already been addressed with the purchase and utilization of the PowerSchool registration program in 2020 that tracks and retains all registration documentation digitally and will remove the possibility of lost physical copies of registration. All students enrolled in the 20/21 school year have been processed through PowerSchool registration.

The second finding referring to virtual students with inconsistent, infrequent or long periods of logins around the ADM count date are a product of the need to try to re-engage at-risk students even when they refuse to be active on their course work. Options Charter Schools does its best to retain students as long as possible using multiple re-engagement strategies with the hope that our re-engagement efforts will save the student from dropping out or failing to graduate. In this case, Options Charter Schools did not log reengagement attempts with the student. OCS will continue to improve its documentation of efforts to re-engage at-risk virtual students prior to and after count day.

Additionally, with the increased oversight of ADM count information, OCS will institute an ADM testing internal control that will consist of monthly samples of student registration and attendance by the CFO to insure completeness and accuracy of records per the SBOA's guidelines.

Issue Three: CREDIT CARD TESTING

Five (5) of the five (5) credit card payments selected for testing had missing receipts, Missing receipts totaled \$5,417 out of total credit card expenses tested of \$35,450.



Payment of credit cards is not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

Issue Three: Response

This issue is due to the high volume of credit card purchases that are processed each month and the dependence on obtaining paper forms and receipts via interbuilding mail due to our multiple sites. Options Charter Schools has already begun to address this high volume credit card receipt process with a digital upload form and process that will allow credit card holding employees to submit purchase authorizations and receipts digitally directly to the treasurer for processing. Our credit card use policy will be updated to reflect the changes to the digital upload process as well as adding potential consequences for credit card holders which may include suspension of credit card use.

Issue Four: FORM 9

The cash balances reported on the Form 9 reports filed for December 31, 2019 and June 30, 2020 did not agree to accounting records. Variances noted were as follows:

Form 9 Report Period Ended	Beginning Cash Variance	Ending Cash Variance
December 31, 2019	\$2,808	-\$8,097
June 30, 2020	-\$8,097	\$14,981

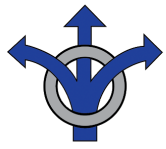
Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Issue Four: Response

This issue occurred during the transition from our retiring treasurer to our current treasurer. The discrepancy has been identified by our current school treasurer and the error is below:

The June 2020 variance between the Form 9 Ending Balance and the GL Ending Balance for both schools was caused by the same situation:

For each school \$89 of the variance of Form 9 to the GL is a result of the PPP loan balances



Options Schools

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being recorded incorrectly in Komputrol (cash basis records). The loans each were entered \$100 less than the true loan amount by mistake. This \$89 difference is from \$100 being left in a new bank account, less \$11 in fees from that new bank, First Financial Bank. The \$89 was sitting in a checking account at FFB, but didn't get entered on the SAGE books until after Jack C. became Treasurer and discovered the error. The entries were then corrected in Sage (accrual books) in about July or August 2020. The adjustment was made on the SAGE records, but after the FORM 9 filing had been completed using our csv download report from Komputrol (our cash basis accounting system) that was then uploaded to the DOE. The adjustment on Komputrol was made during the Dec 2020 Year End process of balancing the fund accounts.

FORM 9 reports are prepared by our cash basis software, Komputrol, in csv format for direct upload to the DOE FORM 9 website. The amounts reported to the DOE are just the cash totals through the end of the reporting period. However, the FUND report balances in the same system, which tie to the cash balance from our bank account reconciliation, are different by exactly the amount of employee payroll withholdings on the FUND report. When we reconcile our revenue and expenses each month, each transaction is transferred (manually reentered) from our Komputrol (cash basis) accounting software to our accrual basis software, SAGE. The total balances in both systems match to the penny, and the GL and TB totals are correct. What I believe is happening is that there is a timing difference in the payroll withholding process where the employee withholdings from one or two pay cycles are sitting in the 9000s holding accounts in our records that don't get expended until after the reporting period. So they are showing up in the fund and cash totals, but not on the FORM 9 report. I am not sure if this is a programming issue with Komputrol, but it is something I will be investigating to determine how to correct or how to adjust the period end records as needed to reflect what's happening. I can say that the differences observed are payroll timing differences in the two period end reports (GL vs FORM 9).

Options Charter Schools will also be adding an internal control for additional oversight by the CFO prior to submission of the Form 9 to review all starting and ending balances. This form 9 internal control will also be reported to the Board treasurer.

