



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

July 17, 2023

Charter School Board
Options Charter Schools
18077 River Road, Suite 106
Noblesville, IN 46062

We have reviewed the Supplemental Audit Report for Options Charter Schools, Inc. prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2021 to June 30, 2022. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on page 3. Management's response is on pages 5 through 6.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

**SUPPLEMENTAL AUDIT REPORT
OF
OPTIONS CHARTER SCHOOLS, INC.**

HAMILTON COUNTY, INDIANA

JULY 1, 2021 TO JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
TABLE OF CONTENTS
JULY 1, 2021 TO JUNE 30, 2022**

SCHOOL OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
AUDIT RESULTS AND COMMENTS	3
EXIT CONFERENCE	4
OFFICIAL RESPONSE	5

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	Matt Abbott	07/01/2021 – 06/30/2022
School President and CEO	Mike Gustin	07/01/2021 – 06/30/2022
CFO	Jake Brandau	07/01/2021 – 06/30/2022
School Treasurer	Jack Colwell	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Options Charter Schools, Inc.
Carmel, Indiana

We have audited the financial statements of Options Charter Schools, Inc. (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated March 29, 2023. 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
March 29, 2023

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were twenty-nine (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records.

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: “‘Eligible pupil’ refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1.” 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 Manual for Indiana Charter Schools, Part 9).

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT ADJUSTMENTS

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity (approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 provides that “...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP).”

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management’s objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Jack Colwell, School Treasurer, Jake Brandau, Controller, Mike Gustin, CEO and John Kerr, Board Member on March 28, 2023. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found starting on page 5.



Date: March 27th, 2023

To: CliftonLarsonAllen LLP

From: Jacob Brandau, Chief Financial Officer

Reason: **Audit Response for Options Schools, Inc.**

Issue One: ADM TESTING

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were sixteen (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records. Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) that 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: “‘Eligible pupil’ refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1.” 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 Manual for Indiana Charter Schools, Part 9)

Issue One: Response

Many of the issues in documents are related to students that enrolled prior to 20/21 and 21/22 school year. We have instituted the creation of a central office enrollment team to request, receive and manage all of the enrollment documents for new students and existing students that have been in our system since as early as the 17/18 school year.

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



Issue Two: AUDIT ADJUSTMENTS

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity, approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Issue Two: Response

Options Schools, Inc. (OCS) and Options In Education Foundation, Inc. (OIEF) financial statements are maintained separately. For the last two fiscal years, our auditor's guidance interpretation is that multiple legal entities that have common board members require those entities' financial statements be consolidated into one report. Historically, the conversion to and maintenance of accrual records for both entities has been performed by an outside CPA. This sometimes results in miscommunications leading to missing or inaccurate accrual entries.

OCS Items:

This was the case for the school accrued payroll expense calculation variance of \$103,000. The error was discovered by Options' Treasurer, immediately corrected, and revised documents submitted for audit. Options has corrected this process by identifying the source of the miscommunication and will be preparing the initial accrual calculation in house in the future.

Historically, revenue receivables have not been included in OCS fiscal year-end financial statements. This omission resulted from a legacy process of converting cash basis accounting data to accrual basis records. Revenue receivables will be included in all future GAAP based fiscal year-end accrual financial statements.

OIEF Items:

Assets: In about July 2022, a newly constructed school building costing around \$5MM was placed in service. On the final construction draw report, one large expense item was recorded twice under different descriptions. This resulted in that asset value being recorded twice, while the total reported expenses still balanced. OCS Treasurer identified the specific error and in conjunction with our outside CPA, the error was corrected. Revised asset documents were submitted for audit. Options works diligently to ensure all depreciable assets are expensed and recorded according to SBOA and GAAP guidelines.

The new building was partially financed by an interest rate SWAP agreement. The periodic valuation of the SWAP contract can be complicated. We were aware of this asset in advance of the audit and engaged the audit firm to prepare that calculation for inclusion in the audited financial statements. We now receive that valuation monthly from the lender and will include it in the initial year-end accrual balance sheet submitted for audit.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.