



**GREGORY
TERRELL
& COMPANY**

October 24, 2016

To the Senior Management and
The Board of Directors of
Michigan Virtual Charter Academy

In planning and performing our audit of the financial statements of Michigan Virtual Charter Academy (the "Academy") for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

However, as discussed below, during our audit we became aware of a certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 24, 2016, on the financial statements of the Academy.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various members of the Academy's management, and we will be pleased to discuss these matters in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Board Purchasing Policy

In May 2015, the Academy's Board of Directors adopted a purchasing policy requiring the Educational Service Provider to obtain at least three (3) price quotations for services for the ESP is responsible for obtaining or providing for the Academy under the ESP's Educational Products and Services Agreement (e.g. special education services). The policy further requires the three (3) quotations for purchases of more than \$3,000.

During our audit we did not note specific adherence to the above policy and noted that the ESP and the Academy's Board of Directors held further discussions about adherence or required modifications to this policy in meetings held subsequent to June 30, 2016.

We recommend that the ESP and the Board of Directors review the current purchasing policy and make all agreed upon revisions and those revisions be adopted by the Board and complied with by the ESP.

Management's Response

The ESP has continued to follow the purchasing policy as documented in the Academy's Financial Policies and Procedures which was adopted by Board resolution on August 5, 2010. In addition, as requested by the Academy's Board of Directors, all purchases over \$2,000 are presented to the Board for review and approval each month during the financial portion of the monthly Board meeting.

Annual Physical Inventory of Capital Assets*

During our audit we noted that a complete inventory of Capital Assets and the required reconciliation of the results of the physical inventory to the accounting records were not performed by the K-12 Regional Technology Manager and the K-12 accounting staff, as required by the Academy's written accounting policies and procedures. We recommend an annual physical inventory of capital assets be performed in accordance with written policy.

Management's Response

K12 Regional Technology completed a physical audit of MVCA equipment at the end of June which did not include a review of the Capital Assets list. During September, 2016, the Capital Assets lists was reviewed by the MVCA Operations Manager and Technology Manager. The Capital Assets list will be adjusted in November, 2016 to reflect the results of this review.

K-12 Payroll Charges*

During our audit we noted that K-12 payroll charges that are invoiced to the Academy are reviewed in detail by the K-12 accountant but are not reviewed in detail by the Academy's Head of School. The Head of School and the Operations Manager review and approve the summary invoice before submission to the Academy Board for approval. Given that the Head of School is the person most knowledgeable of the K12 staff assigned to the Academy, including their positions and rate of pay, we recommend that the Head of School obtain the detailed payroll reports supporting the K-12 payroll charges that are invoiced to the Academy and review it in detail to ensure that K12 staff that are assigned/charged to the Academy have provided services to the Academy and that the payroll amounts charged are accurate.

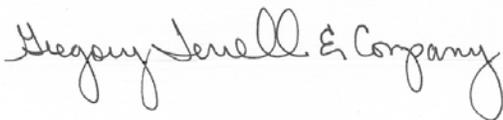
Management's Response

During the school year, a new procedure was implemented to have the HOS review and approve all payrolls during the month. The evidence of the approval is documented through an approval email back to the K12 accountant.

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The Academy's responses were not subjected to the audit procedures applied in the audit of the Academy's financial statements and, accordingly, we express no opinion on the responses.

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



GREGORY TERRELL & COMPANY

Certified Public Accountants

October 24, 2016

*** Repeat Comment**