

Charter School Audits: From Preparation to Resolution

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Overview/Goals

- Legal Authority for Audits of Charter Schools
- Understanding K-12 Audit Guide Compliance
- Audit Documentation
- Response and Resolution of Audit Exceptions and/or Deficiencies
- Informational Tax Returns



Legal Authority for Audits

Annual independent fiscal audit

- Required by law (Ed. Code 47605(b)(5)(I))
- Audit process to be described in charter
- Audit to be submitted by December 15th to the authorizing entity, the local County Superintendent, the State Controller, and the California Department of Education
- CS Audit Guide: 5 CCR 19845.2 – 19854.1



K-12 Audit Guide

- CCSA Financial Management Guide
The Audit Process for Charter Schools
- Online: CDE (www.cde.ca.gov) and
EAAP (www.eaap.ca.gov)
- Select Audit Guide for Current Year
2017-18



K-12 Audit Guide – Charter Schools

2017-18 Audit Guide Requirements

- Educator Effectiveness
- California Clean Energy
- ASES Program
- Education Protection Account Funds
- Unduplicated LCFF Pupil Counts
- Local Control and Accountability Plan
- Contemporaneous Records of Attendance
 - Matching School Calendar to Attendance Records
- Mode of Instruction – Instructional Minutes
- Non-Classroom Programs
- Charter School Facility Grant Program



Educator Effectiveness Funds

- Released in the 2015-16 school year
- The local plan for the Educator Effectiveness funds needs to be heard in a public meeting of the governing board before its adoption in a subsequent public meeting.
- Final Expenditure Report due at the end of the 2017-18 school year.
- Auditor will test for:
 - Adoption of a plan in a public meeting
 - Verify LEA is submitted the detailed expenditure report to CDE



The California Clean Energy Jobs Act

- Verify that expenditures were consistent with energy expenditure plan.
- Verify that the total expenditures for planning funds did not exceed the planning fund award amount.
- Completed projects need to submit a final project completion report containing the information described in the Public Resources Code section 26240(b).



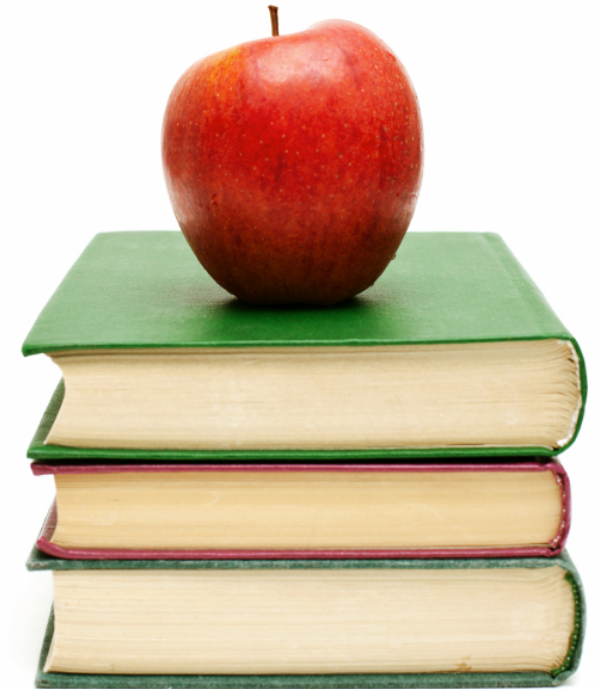
After School Education & Safety Program

- Policies for early release and/or late arrival
- Daily attendance – sign-in sheets & spreadsheet
- Quarterly fiscal reports and semi-annual attendance reports
- Admin ≤ 15% of budget, including indirect costs
- Indirect costs limited to approved rate for your school (<http://www.cde.ca.gov/fg/ac/ic/>) or 5%, whichever is less
- Meet local cash or in-kind contribution target



Education Protection Account Funds

- May not use funds for salaries or benefits of administrators or any other administrative costs (general administration, school administration, and instructional administration)
- Annual expenditure plans must be approved by governing board in a public meeting.
- Expenditures must be posted



Charter School Facility Grant Program (SB740)

Auditor will verify that grant funds have been used for:

- Classroom facility rent/lease
- Remodeling buildings, deferred maintenance, built-in equipment, and other site improvements
- Common area maintenance charges



Unduplicated LCFF Pupil Counts

- Auditor will test CALPADS Certified 1.18 – FRPM / English Learner / Foster Youth – Student List Report
- Census Day Data
 - Free or Reduced Priced Meal (FRPM) eligible
 - English Learner (EL) eligible
 - For students listed as both, the auditor will need to review either FRPM or EL supporting documentation



Contemporaneous Records of Attendance

Daily attendance documentation – ties to P-2 and Annual report

- Trace attendance documents through to the P-2 and Annual (P-3)
- **Auditor will verify attendance records and reconcile to your published school calendar**



	Present	Absent	Tardy
Susie	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnny	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Timmy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claire	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jane	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bobby	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Minimum Annual Instructional Minutes

Grade Level	Minimum Minutes
Kindergarten	36,000
Grades 1 – 3	50,400
Grades 4 – 8	54,000
Grades 9 – 12	64,800

Provide a bell schedule and published school calendar detailing each instructional day

Credentialing

- Same credentials for charter school teachers as public, non-charter teachers (Education Code Section 47605(I))
- Teacher certification documents maintained at the charter school
- Flexibility with respect to noncore, non-college preparatory courses
- Ensuring proper credentials is the ultimately the charter school's responsibility

 **WARNING**

Improper credentialing

=



instructional minutes for affected students

Mode of Instruction: Classroom-Based

- Educational activities supervised by credentialed teacher
- $\geq 80\%$ of instructional time offered at the school site
- Facility used principally for classroom instruction
- Pupils at school site $\geq 80\%$ of the min annual minutes



Mode of Instruction: Independent Study

Nonclassroom-Based Instruction / Independent Study

- Written policies in accordance with Education Code Section 51747 adopted BEFORE any attendance reported
- Written agreement for each pupil per Section 51747(c)
- No longer than one year
- Document student work, representative sample for auditor
- Students should complete work log – days of attendance limited to the days in the school calendar

Independent Study: Determination of Funding

- If ADA = 20%+ Independent Study, must have current year or multi-year SBE funding determination
- Prior year financial data will be reviewed to support information reported to CDE.
- Adoption and implementation of conflict of interest policies will be examined and reported.



Federal Single Audit

- A Federal Programs Audit required if more than \$750,000 annual federal awards expenditures
 - Main Federal programs include Title I, Part A, Title II, Part A, Title III, Child Nutrition
- ≤ \$750,000 required to make records available for review or audit by appropriate government officials
- Tracking of federal expenditures is essential

Federal Single Audit Issues

- Federal expenditures must be identified in accounting system at transaction level
- Time reporting requirements must be established for multi-funded and single cost objective employees
- Consolidated Application should be supported by auditable records
- NCLB Highly Qualified Teacher/Paraprofessional documentation requirements
- Maintenance of Effort Calculations should be performed to check for compliance
- Cafeteria claims should be supported by auditable records
- Income verification for FRPM requirements

Federal Time Accounting

- Necessary if **ANY** portion of restricted Federal funds were used for salary expense, i.e., NCLB, PCSGP, IDEA
- Two very different certification methods to document time accounting:
 - **Semi-Annual Certification**
Single Cost Objective
 - **Personnel Activity Report (PAR)**
Multiple Cost Objectives





**TAKE YOUR
AUDIT
SERIOUSLY!**

Audit Findings

- What is an audit finding?
 - Findings include criteria or basis for determining that a problem does exist, a condition or situation that was observed, the effect or impact of the condition, and the root cause of the problem to the extent that it can be determined
- Where is detail of the audit finding located?
- Finding vs Exception

Resolution of Audit Exceptions

- Review charter for process with granting agency
- Review findings with legal counsel/strategize on best resolution process – timelines for appeal are short!!
- Appealing to CDE – seek repayment plan
- Seek Summary review by Education Audit Appeals Panel (EAAP) – “substantial compliance”
- Full Formal Appeal to EAAP
- Consider waiver by SBE – available?
- Judicial challenge

Consequences of a poor audit include:

- Loss of funding (consider new LCFF requirements in the audit guide)
- Potential revocation of charter
- Loss of facilities funding
- Preclusion from statewide charter
- County Supt. investigation/review
- Revocation by State Board
- SB 740 Audit Exceptions are now different (Gorman decision)

Informational Tax Returns

- Federal Form 990
- Audit report
- Other disclosure requirements
 - Conflict of Interest Policy
 - Whistleblower Policy
 - Document Retention and Destruction Policy
 - Expense Reimbursement Policy
 - Gift Receiving Policy
 - Compensation Approval Policy
- Requires charter school board review prior to filing
- Other required tax filings – Exemption Applications and LLCs

Informational Tax Returns, cont'd

- Financial, Payroll & Compliance Documentation
- Policies & Procedures
 - All policies required under the Revised Form 990
 - Fiscal Policies
 - Employee Handbook
 - Parent and Student Handbook
- Charter School Permanent Documents
 - **Articles of Incorporation**
 - **Bylaws**
 - CDS Code
 - IRS Tax Determination Letter
 - Minutes from the board meeting (district or state) when charter school was authorized
 - Employer ID Letter
 - EDD Number

Audit Tips

- Work closely with your audit firm/tax preparer to make sure all requirements are in place
- Take action now before waiting until the annual audit field work has begun
- Prepare audit schedules prior to field work
- Ensure key employees are available for auditor questions
- Understand and meet audit deadlines



Thank you!

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