

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
- Single Audit Considerations (Uniform Guidance)
- Audit Documentation
- Informational Tax Returns
- Response and Resolution of Audit Exceptions and/or Deficiencies



Top Questions for School Management

How do auditors check the certified CALPADS data?

What does a CALPADS audit finding mean for my school?

If I receive a CALPADS finding, why does my school need a Letter of Concurrence?

How will my school be notified by the CDE that I need to submit a Plan of Corrective Action?

How are expenditures for Educator Effectiveness funds reported?

Will state compliance findings specific to unduplicated counts of free and reduced lunch price students impact our school's federal funding?

**What is the threshold to qualify for a Single Audit?
What's the best way to prepare for a Single Audit?**

What changes will there be for audit testing for the LCAP for FY16-17?

**What do audit exceptions mean for my school?
Are we able to appeal audit exceptions?**



**KEEP
CALM
AND
GET
ORGANIZED**

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
2016-17



K-12 Audit Guide – Charter Schools

2016-17 Audit Guide Requirements

- Educator Effectiveness
- California Clean Energy
- ASES Program
- Education Protection Account Funds
- Unduplicated LCFF Pupil Counts
- Local Control and Accountability Plan
- Immunizations
- 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 tracking expenditures for each of the four purposes for the funds

California Clean Energy

- The Commission has made available the Expenditure Plan Handbook
 - The handbook provides instructions to assist local educational agencies in completing and submitting their energy expenditure plans and how to use the energy savings calculators for simple eligible energy projects.

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 \leq 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

Proposition 30 EPA Funds

- Cannot be used for administration
- Annual expenditure plans must be approved by governing board in a public meeting.
- Must be posted

SCO Track Prop 30 Goal

- Provide transparent view of apportionment payments and school compliance with spending and accountability requirements
- Website: <http://trackprop30.ca.gov>

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

Local Control Formula Funding Requirements

- Auditors will ask for copy of the approved local control and accountability plan (LCAP) or annual update for the audit year.
- Test a sample of actions or services described in the Annual Update



Immunizations

- Children in California are required to receive certain immunizations in order to attend public and private elementary and secondary schools, child care centers, family day care homes, nursery schools, day nurseries, and developmental centers.
- Schools, child care centers, and family child care homes are required to enforce immunization requirements, maintain immunization records of all children enrolled, and submit reports.
- Shots For Schools Reporting - <http://www.shotsforschool.org>

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

! 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.



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





**TAKE YOUR
AUDIT
SERIOUSLY!**

Consequences of a poor audit include:

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

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

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



Legal Authority for Audits

Extraordinary Audits

- Ed Code 1241.5(c) – County Superintendent may audit for fraud, misappropriation of funds, other illegal fiscal practices
- LAUSD only - Office of Inspector General – recent example – Special Education Review – 30 charter schools
- FCMAT – Currently operates within the context of several areas of the California Education Code, primarily those sections having to do with AB 1200 and AB 2756 oversight (EC 42127.1-.8, EC 41326, EC 41327).



Federal Single Audit Considerations

- A Federal Programs Audit required if more than \$750,000 annual federal awards expenditures
- \leq \$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



Maintenance of Effort

- Federal funds must **supplement** and **not supplant** non-Federal funding of services
- Look Back Calculation
 - Aggregate expenditures from non-Federal funds of the first preceding year must be $\geq 90\%$ of the second preceding year
- If Federal funds received by a school  the amount received in previous fiscal year, school may  the level of local or State and local expenditures ≤ 50 percent of the excess

Maintenance of Effort Exceptions

Special Ed Waiver from DOE due to “exceptional or uncontrollable circumstances.”

- Voluntary departure or retirement of special education personnel
- Decrease in enrollment of children with disabilities
- Termination of the obligation for particular student because the child has:
 - Left the LEA/District or jurisdiction,
 - Reached the age where the obligation of the LEA/District is fulfilled—i.e. graduation
- Termination of costly expenditures for long-term purchases—i.e. large equipment

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



Additional Information

K-12 Audit Guide

- <http://eaap.ca.gov/audit-guide/>

Educator Effectiveness Expenditure Report FAQ

- <http://www.cde.ca.gov/fg/aa/ca/educatoreffectfaq.asp>

ASES FAQ

- <http://www.cde.ca.gov/ls/ba/as/>

Materials
uploaded for
conference

Talk to your audit firm
before the end of the
school year if you have
any questions

Thank you!

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