

THE CHARTER SCHOOL BULLETIN

AND UNIFORM COMPLIANCE GUIDELINES ISSUED BY STATE BOARD OF ACCOUNTS

Volume 14

June 2017

AUDIT FREQUENCY

Audit frequency of charter schools is subject to requirements set forth by the Department of Education, the charter school's sponsor, the needs of the charter school, and IC 5-11-1-25. In order to comply with U.S. Department of Education requirements for states that administer the federal Public Charter School Program (PCSP) grant, the Indiana Department of Education requires all Indiana charter schools to undergo an independent audit on an annual basis. This annual audit is accepted by the State Board of Accounts as fulfilling the requirements of IC 5-11-1-.25

AUDIT DEADLINES

Audits performed by private examiners are to be completed and all required reports issued within 180 days after the close of the audit period which is December 27 for those charter schools with a fiscal year end of June 30.

Any requests for an extension of time must be made by emailing the State Board of Accounts at charterschools@sboa.in.gov. The request shall include the reason an extension is needed and the amount of extra time being requested. Extensions may be granted by the State Board of Accounts for up to an additional 60 days. Requests for extension must be received no later than 30 days prior to the report deadline indicated above to be considered for approval. Extensions are not automatic; any request for an extension may be rejected by the State Board of Accounts. Any extension approval shall be in the form of a written email response.

Any charter school that does not have an audit completed and reports submitted by the deadline or request an extension as indicated above may have their audit completed by the State Board of Accounts with all associated costs charged.

**REQUEST FOR PROPOSAL (RFP) FOR
AUDITING SERVICES AND CONTRACT REQUIREMENTS**

Per IC 5-11-1-24 the charter school may not request proposals for performing an examination unless the request for proposals has been submitted to and approved, by the State Board of Accounts. An RFP is needed if the prior auditor is not going to continue providing that service. The RFP and contract negotiations needs to begin well before the end of the fiscal year to be audited to meet the audit completion deadline of 180 days after the close of the audit period discussed above.

Request for proposals must contain the following required wording that the private examiner selected must:

- 1) Be a certified public accountant (CPA) and/or CPA firm licensed to practice in the State of Indiana;
- 2) Meet applicable requirements of the Government Auditing Standards issued by the Comptroller General of the United States (Yellow Book) or the American Institute of Certified Public Accountants (AICPA), if applicable;
- 3) Have no record of performing substandard audits;
- 4) Understand the role of the State Board of Accounts in the audit process and that they are acting as an agent for the State Examiner; and
- 5) Provide their most recent external peer review report; any letter of comment; and any corrective action plan.

The resulting audit contract must also be submitted to the State Board of Accounts for approval. All contracts must reference and include as an attachment State Examiner Directive 2015-2 (Directive) as amended. This Directive serves to notify both parties to the contract that the entire audit process is governed by state statute and uniform compliance guidelines established by the State Board of Accounts. This Directive can be downloaded from our website (www.in.gov/sboa). These documents should be submitted using the charterschools@sboa.in.gov address.

DRAFT AND FINAL AUDIT DOCUMENTATION SUBMITTED TO STATE BOARD OF ACCOUNTS

Draft and final financial audit reports and supplemental reports provided to the State Board of Accounts for review are to be ***unsecured/unlocked PDF files***. We are unable to process secured files. We are also unable to process draft reports that are incomplete. All auditor opinions and reports must be included in the draft reports for review.

Any written correspondence provided to the charter school from the auditor, frequently referred to as the SAS 114 letter, is also to be provided both in the draft and final form for review. Do not combine the financial audit report, the supplemental report, and the SAS 114 letter into one electronic file. The financial audit report and supplemental report are two separate documents made available on our website for public inspection. The SAS 114 letter is not meant to be publicly available and keeping it as a separate file aids in maintaining its confidentiality.

Also provide a draft of the Data Collection Form for those audits performed under Uniform Guidance for review. Charter schools that receive the established level of federal funding are subject to a single audit also known as Uniform Guidance audits. Remember to add the charterschools@sboa.in.gov email address to the Data Collection Form.

These documents should be submitted using the charterschools@sboa.in.gov address.

CORRECTIVE ACTION PLAN

It is State Board of Accounts policy that the corrective action plan that is required by 2 CFR § 200.511(c) be included in the report that is accepted and placed on our website for public inspection. This separate document is prepared by the auditee and addresses each audit finding in the current audit report that is performed under Uniform Guidance.

GUIDELINES FOR THE AUDITS OF CHARTER SCHOOLS PERFORMED BY PRIVATE EXAMINERS

The *Guidelines for the Audits of Charter Schools Performed by Private Examiners* was revised and reissued in October 2016. It can be obtained/viewed on our website www.in.gov/sboa and should be read in connection with Bulletins issued as it expands on many of the issues addressed herein.

NEW LAWS AFFECTING CHARTER SCHOOLS

The following is a Digest of some of the laws passed by the 2017 Regular Session of the General Assembly affecting Charter Schools. Please note the effective dates. Some of the laws do not pertain directly to Charter Schools but are included for ready reference to the covered subject matter. The Digest is not intended as an expression of legal interpretation.

The Digest is also not intended to be all inclusive. References in the Digest will be to the Indiana Code in the following form (Amends IC 12-20-9-6) (Amends Indiana Code, Title 12, Article 20, Chapter 9, Section 6). The final version of each Public Law can be found on the Indiana General Assembly website (<http://iga.in.gov/>). If you have any questions regarding legal interpretation, please consult your attorney.

➤ **Public Law 126-2017, Senate Enrolled Act 504 – Effective July 1, 2017**
Programs and Services for Charter Schools

Adds IC 20-20-1-0.5, IC 20-42.5-2-0.5,
Amends IC 20-20-1-2, IC 20-20-1-5, IC 20-20-1-6, IC 20-20-1-7, IC 20-42.5-2-1, IC 20-42.5-2-2
IC 20-42.5-2-4,

Requires that educational service centers provide services to a participating charter or certain nonpublic schools upon the request of the charter school. (This is in addition to current law that requires educational service centers to provide services to a participating school corporation upon request of the school corporation.) Allows charter schools or certain nonpublic school individually, in collaboration with other school corporations, charter schools, nonpublic schools or school corporations and charter schools or nonpublic schools acting jointly, and through the educational services centers, to undertake action to reduce noninstructional expenditures and allocate the resulting savings to student instruction and learning. Makes conforming changes to include charter schools and certain nonpublic schools in the actions that may be undertaken.

➤ **Public Law 176-2017, House Enrolled Act 1031 – Effective July 1, 2017**
State Examiner Findings

Adds IC 5-11-5-1.5

Specifies requirements for corrective action when audited entities fail to comply with certain guidelines or laws. Requires an audited entity to file a corrective action plan following findings of noncompliance in two consecutive examination reports. Specifies actions that the audit committee may take if an audited entity fails to comply with a corrective action plan.

➤ **Public Law 219-2017, House Enrolled Act 1005 – Effective July 1, 2017**
Superintendent of Public Instruction

Adds IC 20-19-1-1.1
Amends IC 3-5-2-48, IC 3-8-1-33, IC 3-8-4-2, IC 3-10-2-6, IC 3-11-2-12, IC 4-1-6-1, IC 4-2-1-1.5,
IC 4-2-6-8, IC 4-3-6-2, IC 4-12-1-13, IC 4-15-2.2-1, IC 5-14-3-3.5, IC 20-18-2-20, IC 20-19-1-1
Repeals IC 3-8-1-10.5

Abolishes the office of the state superintendent of public instruction on January 10, 2025. Provides that, after January 10, 2025, the governor shall appoint a secretary of education. Establishes residency, education, and experience qualifications for the secretary of education. Makes conforming and technical amendments.

➤ **Public Law 250-2017, House Enrolled Act 1382 – Effective July 1, 2017
Charter Schools**

Amends IC 20-24-1-7, IC 20-24-2.1-2, IC 20-24-2.2-1, IC 20-24-2.2-2, IC 20-24-2.2-4, IC 20-24-2.2-5, IC 20-24-2.2-6, IC 20-24-3-2, IC 20-24-3-2.5, IC 20-24-3-4, IC 20-24-3-9, IC 20-24-3-10, IC 20-24-3-11, IC 20-24-3-14, IC 20-24-4-1, IC 20-24-5-5, IC 20-24-6-5, IC 20-24-7-9, IC 20-24-7-13, IC 20-24-9-4, IC 20-24-9-4.5, IC 20-25.7-5-2, IC 20-25.7-5-5, IC 20-25.7-7-1, IC 20-25.7-7-2, IC 20-26-11-6.5, IC 20-26-11-32, IC 20-31-4-1.1
Adds IC 20-24-9-4.6
Repeals IC 20-24-2.2-3, IC 20-24-3-12

Changes the definition of a charter school organizer. Requires each authorizer to establish a charter school Internet web page. Makes changes to the minimum standards for renewing a charter. Makes changes to the procedure for suspending an authorizer from authorizing a charter school. Provides that an authorizer is considered a state educational authority within the meaning of the Family Educational Rights and Privacy Act. Provides that a: (1) charter school or a participating innovation network charter school located in a county with a consolidated city; or (2) governing body of a school corporation with regard to transfer students; must determine which students may attend the school by using a publicly verifiable random selection process. (Current law provides attendance must be determined by a random drawing in a public meeting.) Makes changes to information that an education service provider must provide to a charter school. Provides that an authorizer must provide notification of acceptance or rejection of a proposal to establish a charter school within 75 days unless the authorizer and organizer agree to an extension of not more than 15 days. (Current law provides that notification must be provided within 75 days.) Provides that an organizer shall immediately inform the authorizer if its tax exempt status is questioned, modified, or revoked by the Internal Revenue Service or if its nonprofit corporation status is questioned, modified, or revoked by the state. Makes changes to the information an authorizer is required to report to the department of education (department). Changes procedures relating to the renewal of a charter. Requires a charter school organizer to submit a statement of economic interest for each board member of a proposed charter school. Requires an authorizer that is a state educational institution to assign authorization responsibilities to another entity. Makes changes to a provision relating to the qualifications of charter school teachers. Makes changes to a provision relating to the distribution of state funds to a charter school that does not have its charter renewed or terminated. Makes changes to the definition of a virtual charter school. Requires a virtual charter school to adopt a student engagement policy. Makes changes to which innovation network schools can receive a grant from the innovation network school grant fund. Provides that a governing body may enter into an agreement with an organizer to reconstitute certain schools as a participating innovation network charter school or to establish a participating innovation network charter school at a location selected by the board within the boundary of the school corporation. Provides that a participating innovation network charter school may be eligible for innovation network school grant funding. Provides that a participating innovation network charter school with a curriculum that includes study in a foreign country may deny admission to a student if certain conditions apply. Provides that an authorizer of a charter school is responsible for ensuring that the charter school is in compliance with applicable legal standards. Requires an organizer of a charter school closing for any reason to ensure the transfer of all charter school records, including student records, to the department. Repeals a provision that provides that the state board of education may require an authorizer to appear at a hearing conducted by the state board if the authorizer has renewed the charter of or failed to close a charter school that does not meet the minimum standards in the charter agreement. Repeals a provision establishing the charter school review panel.

CHARTER SCHOOLS AND SCHOOLS/TOWNSHIPS EMAIL ADDRESSES

Please use the charterschools@sboa.in.gov and schools.townships@sboa.in.gov email addresses whenever possible. Multiple individuals monitor these accounts. This ensures your email will be responded to timely during those times any individual listed below is away from the office or engaged in another assignment.

STATE BOARD OF ACCOUNTS PERSONNEL AVAILABLE TO HELP

CharterSchools@sboa.in.gov & Schools.Townships@sboa.in.gov

Ryan Preston, Director of Audit Services, Schools.Townships@sboa.in.gov

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