



Be Ready for Oversight Audits:

What Board and Management Need to Know March 2016

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We will cover:

- Legal authority for oversight audits
- What audits commonly focus on
- Tips for preparation and response to requests



Charter Schools Act requirement:

- A charter school shall promptly respond to all reasonable inquiries, including, but not limited to, inquiries regarding its financial records, from its chartering authority, the county office of education that has jurisdiction over the school's chartering authority, or from the Superintendent of Public Instruction . . .
- and shall consult with the chartering authority, the county office of education, or the Superintendent of Public Instruction regarding any inquiries.

Ed. Code section 47604.3



Also requires annual audit:

- annual, independent financial audits shall be conducted, which shall employ generally accepted accounting principles, and the manner in which audit exceptions and deficiencies shall be resolved to the satisfaction of the chartering authority.

Ed. Code section 47605(I)



Apportionment audits:

- Maintain written contemporaneous records that document all pupil attendance and make these records available for audit and inspection

Ed. Code section 47612.5



And many other kinds of audits:

- Independent study
- Closure
- SB 740
- CSFA funding
- State bond funding
- Grant funding (federal and state)
- LCFF funding
- County superintendent
- Credentials and background checks

Other sources of auditing authority:

- Oversight reports you promise in charter or MOU
- Memorandum of Understanding commitments
- Questionable authority of LAUSD Office of Inspector General (only in Los Angeles)



What are the most common issues?

- Transactions between related programs or entities
- Undocumented uses of funds
- Unbudgeted expenditures
- Policies on internal controls
- Periodic budget to actual reporting
- Corporate documents



Tips for responding to audits

- Document board approval of program expenses
- Obtain board approval for significant transactions
- Consult with auditors or consultants on best practice
- Consider whether requests are reasonable
- Consider legal authority for audit scope



Strategies for handling an audit:

- What triggered your audit?
- What is the auditor's goal?
- Is there a practical solution?
- What is in the legal toolbox available to you?



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