



LAW OFFICES OF SPECTOR, MIDDLETON, YOUNG & MINNEY, LLP

Audit Guide For Charter Schools

The Office of Administrative Law recently approved Emergency Regulations, which will amend the K-12 Audit Guide to include provisions specifically applicable to charter schools, effective for the 2005-2006 school year. As such, these regulations are in effect and will impact all charter schools during their 2005-2006 audit, which must be submitted to the charter granting agency, county office of education, State Department of Education, and the State Controller's Office by December 15, 2006.

Until now, the K-12 Audit Guide has not been explicitly applicable to charter schools. The adoption of these regulations creates a portion of the K-12 Audit Guide which is specifically applicable to charter schools (both classroom based and non-classroom based charter schools are included). The Charter School K-12 Audit Guide, which is one subdivision of the K-12 Audit Guide and now a part of the California Code of Regulations, provides auditors with a reference with which to base their audits of charter schools regarding independent study, attendance accounting, and instructional minutes, as well as documentation in support of funding determinations for non-classroom based schools (i.e., SB 740 funding determinations). Our office has tracked the regulatory process since its inception and has submitted written concerns to each appropriate agency regarding the fact that these regulations exceed the scope of applicable law, are unclear, and may lead to inconsistent application. Nonetheless, these regulations now have the effect of law.

As indicated above, the provisions of the K-12 Audit Guide which are now specifically applicable to charter schools include audit guidelines regarding independent study, attendance accounting, written contemporaneous records, instructional minutes, and SB 740 funding determinations. By way of example, the following is a short summary of some of the particular areas of the regulations of which charter schools should be aware:

- **Independent Study Attendance Accounting.** The regulations require an audit of daily attendance for independent study pupils. There is no statutory authority for this requirement and, while the same independent study laws apply to both traditional public school districts and charter schools, except for minor exceptions, there is no such requirement for audits of traditional public school districts. It is imperative that independent study policies are in place and master agreements are compliant with current law.
- **Multiple Site Attendance Accounting.** Provisions of the regulations presume that attendance accounting for multiple site schools is done by site, and on a monthly basis. Charter schools should communicate directly with their auditors so as to properly document attendance under these apparently new requirements.
- **Residency of Pupils.** The regulations require some level of documentation that supports verification of pupil residency.
- **Non-Classroom Based Funding Determinations.** There is a significant portion of the regulations that detail how an auditor must review documentation used to substantiate a non-classroom based charter school's SB 740 funding determination.

7 PARK CENTER DRIVE ■ SACRAMENTO, CA 95825 ■ T 916 646 1400 ■ F 916 646 1300

WWW.SMYMCHARTERLAW.COM

Charter schools should therefore immediately review these regulations, and contact their legal counsel and auditors, to ensure their current practices are consistent with these new requirements to avoid the risk of apportionment significant audit findings. A copy of the regulations is available on our website at www.smymlaw.com.

If you should have any questions regarding this update, please contact Jessica Hawthorne (jhawthorne@smymlaw.com) or Paul C. Minney (pminney@smymlaw.com) at the Law Offices of Spector, Middleton, Young & Minney, LLP at (916) 646-1400.

Spector, Middleton, Young & Minney LLP's Legal Alerts provide general information about events of current legal importance; they do not constitute legal advice. As the information contained here is necessarily general, its application to a particular set of facts and circumstances may vary. We do not recommend that you act on this information without consulting Legal counsel.