



Audit Requirements

*For Charter Schools Authorized by
the Indiana Charter School Board*

Revised June 2021

For more information, please visit the
Indiana Charter School Board website:
<http://www.in.gov/icsb>

Audit Requirements

General Financial Audit and Reporting Requirements

Indiana charter schools are subject to Indiana Code (“IC”) IC 5-11-1-9, which gives the State Board of Accounts (“SBOA”) the responsibility for examining all accounts and all financial affairs of every public office and officer, state office, state institution, and entity disbursing public money. See IC 20-24-8-5(1). IC 20-39-1-4 requires SBOA to prescribe “a unified accounting system for charter school organizers . . . that include[s] a chart of accounts that will allow charter school organizers to adopt the accrual basis method of accounting.”

More specifically, SBOA requires each charter school to undergo an annual audit performed by a private examiner based on Generally Accepted Accounting Principles (“GAAP”) that complies with SBOA’s uniform compliance [Guidelines for the Audits of Charter Schools Performed by Private Examiners](#).

In accordance with [ICSB’s Financial Reporting Guidelines](#), an organizer operating more than one charter school must submit a consolidated audit which includes a supplemental schedule breaking down revenue and expenses for each school operated by the organizer. In addition, each individual charter school (generally defined as any independent educational program with a separate school identification number) must submit an annual budget and quarterly financial reports to ICSB with assets and liabilities and expenses and revenues broken down at the school level. See Indiana Code (“IC”) 20-24-4-1(a)(8)(A)(vii), IC 20-24-7-8, IC 20-24-9-5, and Sections 2.3, 6.1, 6.2, 6.4, 8.4(b) of ICSB’s Charter Agreement.

In order for ICSB to effectively utilize annual audits to reconcile the financial information reported by schools on ICSB’s Financial Workbook, and to calculate performance ratings for the Financial Health section of our Accountability System, the following information must be included in the “Statement of Functional Expenses” for each charter school (as well as at the consolidated level for those organizers operating more than one charter school) beginning with the 2020-21 Audit:

- 1) Lease/Mortgage Payments (Facility)
- 2) Principal Payments*
- 3) Interest Expense (if applicable)
- 4) Depreciation and Amortization (Facility)
- 5) Insurance (Facility)
- 6) Electric & Gas
- 7) Water & Sewage (6 & 7 may simply be combined into “Utilities”; however, please do not include telecommunications/internet services)
- 8) Waste Disposal
- 9) Facility Repairs and Maintenance

- 10) Security
- 11) Custodial (include supplies, but not employee salaries)

*Audit notes must disclose total annual facilities debt service payments by specifically identifying the amounts of principal payments and interest expenses incurred during the fiscal year (for each school if filing a consolidated audit).

For those organizers operating more than one charter school and producing consolidated audits, principal payments and interest expenses related to facilities debt should either: (1) be allocated to the specific school responsible for making the expense payments; or (2) if debt is incurred at the consolidated network level for more than one school, it is up to you and your independent auditor to determine whether to allocate the total amount of facilities principal payments and interest expenses to individual schools or to simply to report it at the consolidated level.

Supplemental Audits

Section 2.1.d of ICSB's Accountability System measures a school's compliance with state audit requirements including whether an audit is devoid of significant findings and conditions, material weaknesses, significant internal control weaknesses, and/or ongoing concerns. It is ICSB's expectation that any audit finding that a school is out of compliance with some part of SBOA's Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools will be immediately corrected and not repeated in a subsequent audit. Failure to address compliance issues will have a negative impact on a school's performance rating. Repeat findings in subsequent years may result in the school being placed on a corrective action plan, or, if serious enough, could result in revocation of a school's charter.

Please do not hesitate to contact ICSB staff with any questions about audits or audit compliance.