

**AGREED-UPON PROCEDURE GUIDANCE
LOCAL AUDITS OF PENNSYLVANIA CHARTER SCHOOLS
FOR FISCAL YEARS ENDING JUNE 30**

I. *Purpose and Source Documentation*

This document provides guidance to charter schools and their independent accountants for completing the annual reporting requirements of the charter school's operations under 24 P.S. § 17-1716-A(f). Each charter school shall provide copies of this guidance to its audit committee and independent accountant.

Local audits should be completed annually. If the federal expenditures for the charter school for the fiscal period reach the threshold requiring a Single Audit in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), audits are due by March 31, following the close of the fiscal year.

II. *Accounting*

The charter school will maintain the accounting system and reports in accordance with 24 P.S. §17-1716-A(f), and any subsequent revisions thereof except where otherwise specified in this Standard.

III. *Annual Audits and Agreed-Upon Procedures Reporting*

Each charter school shall annually issue audited financial statements for each fiscal year ending June 30. The independent audit shall be conducted in accordance with auditing standards generally accepted in the United States of America. If the federal expenditures for the charter school for the fiscal period reach the threshold requiring an audit in accordance with the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the charter school will issue audited financial statements in accordance with U.S. generally accepted auditing standards, Government Auditing Standards, and Uniform Guidance.

For each fiscal year ending June 30, the charter school shall annually engage an independent accountant to conduct and report on an agreed-upon procedures engagement in accordance with attestation standards established by the AICPA following the criteria below. Test samples shall be consistent with AICPA standards in AU-C Section 530, Audit Sampling.

Financial audits and agreed upon procedures shall be submitted by March 31, following the close of the fiscal year to the Pennsylvania Integrated Monitoring System.

If applicable, charter schools required to complete a single audit must upload it to the Federal Audit Clearinghouse (FAC) by March 31.

IV. Guidance for Agreed Upon Procedures

1. *An enrollment test to verify the accuracy of student enrollment and reporting to the Commonwealth. The independent accountant shall:*
 - a. Obtain an understanding and document that the standards and procedures concerning enrollment data and determining resident school district are being followed.
 - b. The charter school will maintain a clearly defined audit trail to enable the independent accountant to verify enrollment reported by the charter school.
 - c. A sample of enrollment records from the entire population of students enrolled during the fiscal year will be tested to verify supporting documentation, 10 percent of total enrollment or minimum 25 students.
 - i. Verify that students identified as qualifying for special education services have an IEP on file with the charter school.
 - ii. Verify attendance logs for sampled students to confirm active enrollment throughout the fiscal year and document any changes were properly reported.
 - d. Enrollment records will be reconciled to tuition income in relation to the funds received by the charter school.
2. *Full review of expense reimbursements for board of trustees' members and administrators, including sampling of all reimbursements. The independent accountant shall:*
 - a. Test 10 percent of the charter school board member and administrator expense reimbursements to ensure policies detailing allowable expense such as travel, conferences, and meals for official business along with specific requirements for submission and approval of claims, including itemized receipts and a clear business purpose.
 - b. Confirm that all board members and administrators have complied with the Public Official and Employee Ethics Act by filing an annual Statement of Financial Interests with the State Ethics commission and either the local school board or the Department of Education.
3. *Review of internal controls, including review of receipts and disbursements. The independent accountant shall:*
 - a. Evaluate internal control procedures related to revenue receipts:
 - i. Segregation of duties: For a sample of 40 receipts, the independent accountant will examine supporting records to ensure that the receipt, recording, and deposit preparation functions are each carried out by distinct individuals.

- ii. Cash handling and deposit procedures: for a sample of 40 deposits the independent accountant will examine supporting records to secure funds and observe that funds are properly recorded, received, and deposited.
 - iii. Revenue reconciliation: For a sample of 40 receipts, the independent accountant will ensure receipts are accounted for and match bank statements and accounting records.
 - iv. Documentation and reporting: Examine documentation to confirm funds received were supported by proper documentation.
 - b. Evaluate internal control procedures related to disbursements:
 - i. The independent accountant will inspect a sample of 40 approved payment vouchers to confirm they have been properly signed by authorized personnel.
 - ii. The independent accountant will examine a sample of 40 paid invoices to ensure they have proper documentation, such as matching purchase orders and receiving reports.
 - iii. The independent accountant will examine documentation of a sample of 40 paid invoices to determine whether the different personnel signed off on the approval and processing of the payment, between those who approve payments and those who process them.
 - c. The independent accountant will compare a sample of 40 payments to the state and federal debarment list suspended/debarred list(s) to determine whether vendors were properly vetted.
- 4. *Review of annual Federal and State tax filings, including the Internal Revenue Service Form 990, Return of Organization Exempt from Income Tax, and all related schedules and appendices for the charter school entity and charter school foundation, if applicable.*
 - a. The independent accountant will ensure the charter school has posted on their website all final, signed federal Form 990s, Charitable Organization Registration Statement (BCO-10) and other applicable state filings, including applicable schedules and attachments filed during the review period. If the charter school has filed an extension to submit required reporting, that should be noted.
 - b. The independent accountant will reconcile the financial data reported on Form 990 and the BCO-10 with the charter school's audited financial statements for the filing period to ensure consistency.
- 5. *If filed separate from the charter school's financial statements, review the financial statements of any charter school foundation. The independent accountant shall:*
 - a. Confirm that related party information is disclosed.
 - b. Examine the financial statements of the charter school foundation for any inconsistencies in payments with the charter school financial statements.

6. *Review of the selection and acceptance process of all contracts publicly bid pursuant to Section 751. The independent accountant shall:*

- a. Examine bids for a sample of 40 projects over \$24,500 were properly prepared and publicized in accordance with state laws and the entity's own procurement policies and procedures.

7. *Review of all board policies and procedures regarding internal controls, code of ethics, conflicts of interest, whistle-blower protections, complaints from parents or the public, compliance with 65 Pa.C.S. Ch. 7 (relating to open meetings), finances, budgeting, audits, public bidding, and bonding. The independent accountant shall:*

- a. Obtain copies of Board policies and procedures.
- b. Conduct an interview with the Chief Executive Officer, Board Chairman and legal counsel/solicitor to discuss any known deviations from the policies and who the charter school addressed.
- c. Attach to the agreed upon procedures report, written representation from the parties listed in (b) that these policies are (or are not) in effect and that either:
 - i. No instances of noncompliance have been identified during, or subsequent to the fiscal period being reported, through the date of the attestation report; or
 - ii. Noncompliance/deviations occurred and were addressed as discussed in (b).
- d. Determine that the charter school has an audit committee and it is functioning correctly.