



Prepare for the Annual Audit

THE CHARTER SCHOOL AUDITS GUIDE

**Grōw
Schools**

This guide can keep you on track for a less stressful audit experience.

We are grateful for the wisdom offered by our network of charter school experts in the creation of this guide. All the advice you'll find here comes from experienced charter school leaders who have a deep understanding of the unique terrain of charter school growth.

Read on to learn how you can prepare for the yearly audit one step at a time.

Need money to run your school? We can help.

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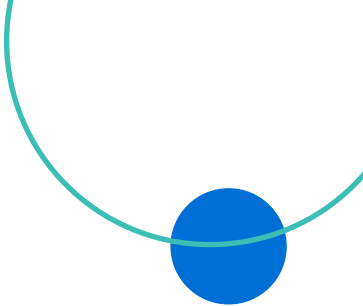
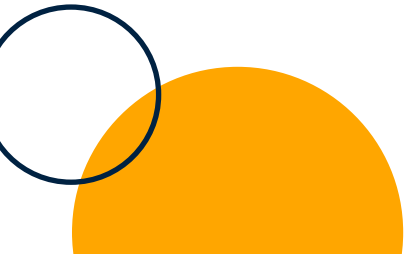


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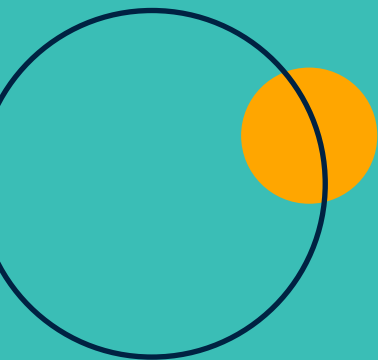
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01

Types of Audits



Types of Audits

Before we jump into planning, let's review the types of audits to be familiar with as you prepare your school. Because you can receive any of these types of audits in a given year, it's helpful to be ready for any of them.

Non-Academic, Accountability-type Audits

- **Yearly Financial Audit:** These types of audits are done yearly to ensure that charter schools are [meeting bank requirements](#) for loan covenants, assuring donors of total accountability, and maintaining board confidence that the finances are in proper order to minimize their liability and risks.
- **Authorizer Scheduled Visit:** Authorizers stop by for planned visits quarterly during the renewal process and for auditor general audits.
- **Surprise Visit / Audit:** Sometimes your authorizer will make a surprise visit to check attendance, operational records, and other education records.
- **Internal Audits:** In this guide, we'll outline a plan for conducting internal audits. You can complete these throughout the year to ensure all the other audit types are ready to go when someone comes to check them out. These cover things like Human Resources, operations, finances, and policies and procedures.





02

Internal Controls



Internal Controls

As charter school leaders create policies and procedures, it's important to both know and practice them. Having strong internal controls can help ensure each policy is updated and in compliance with your state or authorizer's requirements.

Here's what to think about as you design your controls:

- **Assign roles for each person in every department needing an audit.** For example, Human Resources would collaborate on the audit for HR, and the Chief Operations Officer could work on the Operational audit. If it makes sense, you can divide up the work within your school—doing so can prevent any one person from being overwhelmed with the process.
- **Physical controls help audit preparations stay transparent.** Examples are making sure you have double signatures or ensuring that the person handling the money is not the person signing the checks.
- **Make sure you reconcile your bank statements each month.** This will save you time and mean you're never doing so retroactively up against a deadline.
- **Back up your documents.** Be sure you have both physical binders and electronic files of all your essential documents—including your charter. Also ensure that multiple people have access to the electronic files as well (that way you won't be in a situation where the document you need can only be accessed by one person who is out of the office for the day).
- **Encourage whistleblowers.** By spotting a problem early on, you can be proactive and mitigate before there are negative consequences.
- **Schedule monthly self-audits.** We'll go over these internal reviews in depth in the next section—they will help you break down the audit into smaller, manageable pieces.

A NOTE ABOUT FRAUD AND EMBEZZLEMENT

No one wants to deal with fraud—and the good news is it's preventable. Charter schools can use **anti-fraud controls** alongside the Yearly Financial Audit so they don't face losses from fraud. (Smaller organizations tend to experience disproportionately higher losses.)

Along with internal controls, you can empower and educate employees to detect fraud. You can do this with the help of a presentation by your Directors and Officers liability insurance carrier, your law firm, or even local law enforcement's white-collar crime division.

Tip: *Don't forget to let your board members know what your school's team is doing to avoid and detect fraud.*

03

Month- by-Month Planning

Month-by-Month Planning

Audits can feel overwhelming—but by preparing a little each month, you can offset that feeling. To help simplify the process, we’ve broken a year’s worth of audit information into monthly internal reviews. Having a smaller project each month will help you stay organized and so you’re feeling empowered when the audit rolls around.

Let’s look at the overall plan first, and then we’ll look at each month in more detail.

- Month 1 Yearly Fiscal Audit
- Month 2 Post-Audit Discussions
- Month 3 HR, Management, Volunteers
- Month 4 Insurance
- Month 5 Operations
- Month 6 No Audit – Fiscal Year End
- Month 7 Yearly Governance
- Month 8 No Audit – Back to School
- Month 9 Facilities
- Month 10 Computer, IT, & Cyber
- Month 11 Enrollment Marketing
- Month 12 Fiscal Audit Prep

Note: These items don’t necessarily need to be done in this order, and you can move the months around based on when your yearly audit is due. Here is an example schedule.

| JANUARY FISCAL AUDIT | INTERNAL REVIEW |
|----------------------|----------------------------|
| January | Yearly Fiscal Audit |
| February | Post-Audit Discussions |
| March | HR, Management, Volunteers |
| April | Insurance |
| May | Operations |
| June | No Audit- Fiscal Year End |
| July | Yearly Governance |
| August | No Audit-Back to School |
| September | Facilities |
| October | Computer, IT, & Cyber |
| November | Enrollment Marketing |
| December | Fiscal Audit Prep |

Month 1

This month, you've just completed your most recent audit, so first steps are about how to move forward from there.

You'll want to:

- **Review your previous audit with your auditor.** Your audit review is a great opportunity to discuss ways you can improve your school with the auditor. Look over your financial statements together and be sure to take notes.
- **Review feedback with your audit committee.** Take the auditor's advice and comments back to your audit committee. Discuss the good, the bad, and the ugly.
- **Present the auditor's findings to your governing board.**
 - Go over the auditor's findings and answer any questions from the board members.
Tip: After presenting, ensure you get a copy of the minutes so you can reference them when necessary.
- **Submit your audit to your authorizer.** Be transparent with your authorizer, but also let them know that you and your colleagues are working on any improvements based on the feedback you received during the audit process.
- **Prepare your audit message.** Reflecting on these conversations, prepare your audit message for a wider audience. You'll want to make sure your message is clear, detailed, and anticipates the questions your audience might have.
- **Post your audit and audit report.** Make your [audit message into a web post for community visibility](#).
- **Get ready to make a plan in Month 2!**





Month 2

It's time for a post-audit reflection. This month you will discuss the things that went well and things that need improvement for the coming year.

Tips for your planning:

- Be proactive. You want to think thoroughly about the steps your organization should take before next year's audit.
- Think through the auditor's recommendations for your school. What internal controls did they suggest you add? Are there new policies or procedures that need to be put into place? What could use improvement? How could you manage finances differently?
- Be sure your [corrective action plan \(CAP\)](#) is up-to-date. This will ensure you're your plans are ready to go when it's time to submit to your authorizer.

Note: *Not every school has a CAP or will receive one from audit results, so check with your authorizer.*

Month 3

Month 3 is a big month! This month you will thoroughly examine your HR department.

Tip: *This doesn't necessarily have to be done in Month 3, but it works well to do it in spring—when teachers make plans for the next year and can inform you whether they will be returning.*

There are several parts to the internal review this month, so, if possible, divide the work between several people.

During the HR review, you'll want to:

- **Review employee policies and procedures.** This is your opportunity to go over contracts and agreements for the upcoming school year. Include arrangements for management, teachers, and other staff.
- **Standardize roles and creating employee pay schedules.** Completing this together with revising your contracts will save time. It will also provide continuity and prevent discrimination.
- **Have your attorney or insurance carrier review your documents for compliance.**
Tip: *Look into [employee recruiting and hiring software](#) to streamline your hiring process. Some full-service Back Office Providers (BOPs) even offer fingerprinting management.*
- **Organize Personnel and Confidential files.** When your auditor shows up for their yearly visit, they will most likely want to see some of your employee files. You want to ensure that you have both physical and digital copies of these files to be easily accessible.
- **Update your HR Handbook.**
 - Attend an HR law update meeting. These are a great way to brush up your HR policies. Some are free, usually occurring at the beginning of the calendar year. Check with local law firms, insurance organizations, or your Charter Association to see when the law update meeting takes place in your area.
 - Reviewing, redraft, and add new laws to your HR Handbook.
 - Send your updated HR Handbook to your insurance provider for review and updating.
Tip: *Many insurance companies offer a once-yearly update for free and they can look it over for compliance.*
 - Share your updated handbook with your governing board for approval.



- Roll it out! You can begin to distribute your new handbook immediately for new hires, or you can utilize it at the start of your new fiscal year for returning employees.
- Draw up or revise your volunteer agreement. Make sure you have both physical and digital copies of the volunteer agreements, TB testing, fingerprinting, LiveScan, and any necessary COVID vaccines. Organizing these now will make your annual audit run more smoothly.

Types of Files

Employee Personal File

Employers should keep all job-related documentation such as hiring records, performance reviews, disciplinary actions, and job descriptions in an employee's general personnel file. Think about it this way: Would the document be relevant to a supervisor reviewing this file when making employment decisions? Is it related to the employee's performance, knowledge, skills, abilities, or behavior? If so, it's in the right place in the employee's general personnel file.

TIP *The Americans with Disabilities Act (ADA) prohibits employers from including medical information in an employee's general personnel file (see below).*

Medical file

Each employee should have a separate file for medical records, containing items related to medical leave, reasonable accommodations, and worker's compensation claims.

TIP *The Americans with Disabilities Act (ADA) prohibits employers from including medical information in an employee's general personnel file. Employers who are required to invite applicants and employees to self-identify as individuals with a disability under Section 503 of the Rehabilitation Act must maintain these self-identification forms separate from all other records, including other medical records.*

Confidential file

Some records should not be accessible to managers and supervisors due to the sensitive nature of the information. These include documents that contain information such as date of birth, marital status, dependent information, Social Security number, immigration status, national origin, race, gender, religion, sexual orientation, and criminal history. Items in these categories belong in a separate, confidential file.

Here is a table of some of the files you will come across and where they should be stored according to the [Society of Human Resource Management](#).

| Type of Record | Location |
|--|-------------------|
| Recruiting and screening documents such as applications, resumes and educational transcripts | Personnel file |
| Reference/background check results | Confidential file |
| Drug Test Results | Confidential file |
| Job descriptions | Personnel file |
| Equal employment opportunity (EEO) self-identification of gender and race/ethnicity | Confidential file |
| Self-identification of disability | Confidential file |
| Immigration (I-9) forms | I-9 file |
| Records relating to job offers, promotions, demotion, transfer, and layoff | Personnel file |
| Pay and compensation information | Personnel file |
| Education and training records | Personnel file |
| Handbooks and policy acknowledgments | Personnel file |
| Employee agreements (noncompete, confidentiality agreements) | Personnel file |
| Letters of recognition and awards | Personnel file |
| Warnings, counseling and disciplinary notices | Personnel file |
| Performance evaluations and goal-setting records | Personnel file |
| Termination notice and documentation | Personnel file |
| Medical records (questionnaires, benefit claims, doctor's notes, accommodation requests, medical leave records, workers' compensation claims) | Medical file |
| Child support/garnishments | Confidential file |
| Litigation documents | Confidential file |
| Workplace investigation records (although relevant disciplinary action, counseling or other direct communications are placed in the employee's personnel file) | Confidential file |
| Requests for employment/payroll verification | Confidential file |
| Benefit enrollment forms | Benefits file |
| Beneficiary designations | Benefits file |



Month 4

This is the month to look at your insurance. If you're looking to learn more about insurance options for your school, your insurance broker or carrier is a great resource.

As you perform your internal insurance audit this month, here are a few things to consider:

- **Make sure you comply with your insurance policy and insurance laws.** Knowing the limits and sub-limits is key.
- **Review your policy—and shop around.** Check with other brokers—is there a better option for your school? Check into carrier ratings, policy details, and costs for your school and employees.
Tip: If you're switching insurance companies, make sure you check your current insurance company's cancellation policy. Check to see if they have a "short rate" amount if you are ending your agreement early.
- **Check your premiums and deductible.** You'll want to review whether your premiums are broken into smaller payments or just one annual fee. It's possible you can save money by scheduling your premium payment differently. Also be sure to check your deductible to see how close you are to meeting it.
- **Examine your employee benefits.** You'll want to shop employee benefits, too, to make sure you have the policy that's the best fit for your school.
Tip: If you're providing money to employees to pay for part or all of their medical benefits, paying a flat amount rather than a percentage can keep expenses down.
- **Review your retirement benefits.** Know the ins and outs of what you're offering in addition to mandatory State retirement benefits.

Types of Insurance

There are many types of insurance that can benefit your school. You'll see their differences and purposes on the table below.

| Type of Insurance | Definition | Covers Claims Of | Needed For |
|---|---|--|---|
| General Liability Insurance | Foundational protection for the basic risks of running a business/school | <ul style="list-style-type: none"> ■ Injuries occurring on your premises ■ Injuries or damages caused by your offering ■ Accusations of libel or slander | <ul style="list-style-type: none"> ■ Coworking space ■ Office/school lease ■ Additional Protections: <ul style="list-style-type: none"> ■ Damage to property or office INCLUDED ■ Work-related employee driving ADD ON |
| Business Property Insurance | Bundled with General Liability to protect your physical property | <ul style="list-style-type: none"> ■ Loss, damage, or theft of property like laptops and furniture ■ Damage to space | <ul style="list-style-type: none"> ■ Office lease |
| Cyber Insurance | Comprehensive and customizable protection for the cost of data breaches caused by mistakes, hacking and social engineering. | <ul style="list-style-type: none"> ■ Individual or class-action allegations of identity theft ■ Coverage for your data ■ Covers costs for forensic analysis, ransomware payments, customer notification, settlements, and credit monitoring | <ul style="list-style-type: none"> ■ Collection of any sensitive data |
| Employee Practices Liability Insurance (EPL) | Protection from actual and frivolous allegations of wrongdoing by and between managers and employees. | <ul style="list-style-type: none"> ■ Improper hiring practices ■ Retaliation and wrongful termination ■ Discrimination based on age, gender, race, etc. ■ Harassment ■ Third-party liability for claims made by non-employees like customers ■ Wage & Hour Defense Costs (subject to policy T&C's) | |



Types of Insurance – Continued

| Type of Insurance | Definition | Covers Claims Of | Needed For |
|---|--|---|--|
| Directors and Officers Insurance (D&O) | Protects the personal assets of your founders, officers and board members, and protects your school from lawsuits associated with their decisions. | <ul style="list-style-type: none"> Actual or alleged wrongful acts in the management of your school Omissions and misstatements in disclosures Misuse of company assets | <ul style="list-style-type: none"> Board formation Claims of intellectual property theft or infringement Other disputes |
| Errors and Omissions Insurance (E&O) | Protection for when a mistake causes a financial loss | <ul style="list-style-type: none"> Failure to meet contractual obligations Negligence | |
| Fiduciary and Liability Insurance | Protection for mistakes in the management of employee benefit plans. | <ul style="list-style-type: none"> Breach of Duty in managing your benefit plans Communication mistakes resulting in loss of benefits Mistakes in computing or administering benefit plans Transaction errors resulting in losses from unintended market exposure | <ul style="list-style-type: none"> 401k Plans |

Month 5

Month 5 is dedicated to your operations audit—a chance to look at the big picture.

This month, you'll want to:

- Address communication issues and operating procedures across school channels.
- Review individual departments in terms of process, organization, and communication, and suggest ways they can improve.
- Review how different departments work together and how communication between departments can be streamlined.



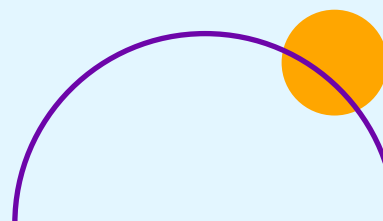
Month 6

Time to audit your budget! Each state Authorizer and/or Association typically publishes a table of yearly milestones. Check with your Back Office Provider and your Authorizer representative for a copy.

The following things are important as you prepare for your fiscal audit. You'll want to prepare:

- Authorizer templates and worksheets
- Fiscal year-end budget review
- Reviews by department:
 - Academics, SPED, Accounting, Facilities, HR, Finance, Recruiting, Marketing, Volunteers, etc.
- Review by Charter or campus
- Review current departmental budget-to-actuals
- Finalized Budget for the next fiscal year are due July 1

If you want to take extra care in this area, you could opt to create a 5-year forecast to use for growth and facilities planning. This will showcase your dedication to your school's success for many years to come.



Month 7

Month 7 is the governance audit. How you go about this depends on your size—smaller schools can hire a consultant or conduct the audit themselves, while larger organizations may have their internal audit departments perform the audit.

This month, you'll want to take a look at:

- Governing policies and procedures
- Conflict-of-Interest Policy (authorizer and state required)
- Any existing policies/procedures needing updates
- Board resolution calendar for ongoing adoption reviews at monthly Board meetings
- Board committees and calendar
- Agendas, minutes, and resolutions (you might put them in an annual binder for easy access and historical reference to be sure they can be easily found on your school website)

Month 8

Back-to-school month! Take a break from internal audits this month so you can focus on this exciting and busy time. This is also a great time for professional development for you and your staff.





Month 9

Month 9 is devoted to your facility audit. A facility audit (also called “facility inventory”) is a comprehensive review of a facility’s assets. By conducting your audit, you can get a high-level look at the status of your facility and whether it’s serving your needs.

The goal here is to think about the value of your facility’s assets versus the cost of replacing them—or the cost of changing facilities entirely. In the short term, the facility audit can be a tool for projecting future maintenance costs.

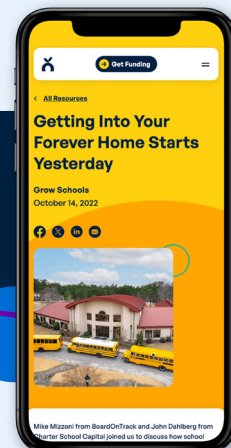
When conducting your facility audit, here’s what you’ll want to do:

- Walk your facility yourself to take note of any changes or needed renovations. Think about ways to reduce energy expenses and improve student and staff experience in your space.
- If possible, walk your facility with your landlord to review its condition.
- Review your lease or other contracts and make any necessary changes.
- Perform an analysis of how will your school grow with your lease compared to purchasing a building.

If purchasing seems like the best option, you can begin to write out an ideal “Space Plan”:

- How many classrooms do you need?
- How many bathrooms?
- What about hallways, office space?
- What spaces are needed to address your mission?

If you’d like more information on the timing and resources available for a facilities move, you can start with our free webinar: **Getting Into Your Forever Home Starts Yesterday**





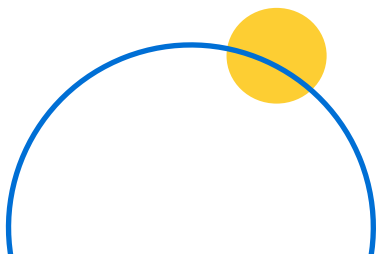
Month 10

In Month 10, you will audit your computers, IT, and cyber security. You'll also want to be sure you take a look at firmware security. As you shop for products, it you can ask about firmware updates and security testing, to be sure that your school's records remain secure.

Firmware attacks are on the rise and losing your network can be a true problem, so it's smart to be proactive. In protecting your devices before something goes wrong, you'll want to:

- Take inventory of your hardware—examine both staff and student devices.
- Review your software licenses and make sure they are up to date.
- Look into security, cyber compliance, and any vulnerabilities.

Tip: *ESSERS may require additional compliance.*



Month 11

It's time to get ready for enrollment season! As families begin looking for schools in January, it's time to examine your [enrollment marketing strategy](#).

A great place to start is to ask these questions:

- What are your enrollment goals for the coming year?
- Do you have an active board and family group that will help you with your enrollments?
- How could your enrollment marketing better showcase your innovative programs?
- What is your online presence like, and does it reflect your place within the community?
- Is your website mobile-friendly? Secure?
- Do you know who owns your school's Facebook/Wordpress/Instagram/LinkedIn account (and do they still work with you)?

Great marketing will always tie back to your mission and vision. When shaping your marketing, you can ask:

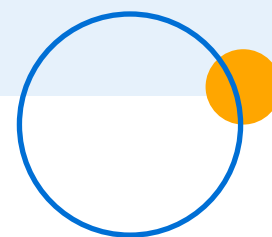
- What stories do you tell about your school in your marketing? Is there a way to tell them better?
- How are you building and engaging with your community on Facebook and Instagram? (You can also engage with your students and alumni on LinkedIn.)
- Is the website easy for families to use to get more information and enroll online?
- Can people find you? (You can improve your organic search visibility with consistent content that lets families see what's going on at your school. Blogs work great for this!)
- How might you get more search traffic? (Google Adwords can help!)
- How might you use email newsletters for effective communication?



Your online community is important, but so is your offline engagement with your community. That's what generates word-of-mouth referrals for your school, and will bring kids to fill your classrooms!

Here are some best practices for increased enrollment:

- **Hold weekly school tours.** Scheduling tours weekly at the same time all year long gives you the advantage of being able to share time with more people. Even when your school has a long waitlist, you'll want to invite community members to learn more about what your school is all about. You might have the goal of an after-school tour lasting around 45 minutes, being sure to provide time to answer questions.
- **Host Back-to-School Nights.** This is an excellent way to show off your school! Usually held in the evenings in spring and early summer, these events can be great enrollment opportunities. Using PowerPoint can help ensure you've covered the essential points and given families a roadmap to enrollment—you could even show a short video of students at play or participating in innovative learning activities in the classroom. (Again, be sure to leave time for lots of questions!)
- **Host Coffee with the CEO / Pastries with the Principal.** These are just two ideas for more informal ways to meet with families on a bi-weekly or monthly basis. Whether in-person or online, consider also opening these times to current and prospective families.



Month 12

It's time for your financial audit! You've worked so hard each month to prepare, so make sure you double-check that everything is in order.

You'll want to:

- Hold an internal pre-audit meeting with the responsible Audit Committee/Board members.
- Hold a pre-audit meeting with your auditor.
- Assemble all necessary documentation in one place.

Tip: *It can work to keep binders of everything and electronic files "Corporate Docs Binder." In it lives your Charter, Amendments, MOUs, Bylaws, incorporation, 501c3, etc.*

Then, take a deep breath as your auditor arrives, knowing you're prepared!

You can get the money, resources, and know-how to create a thriving school.

WE CAN HELP WITH:

- Money to run your school
- Money to buy your school
- Kids to fill your school

Let's get started.

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