

Charter Schools and Audits

The Law

Charter schools are required to submit an audit report to the commissioner of education by December 31 each year, according to Minnesota Statutes, section 124E.16, subdivision 1(b). Further, according to Minnesota Statutes, section 124E.16, subdivision (a):

A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district, except as required under this subdivision. Audits must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, if applicable, and section 6.65 governing auditing procedures. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06 governing government property and financial investments; and sections 471.38; 471.391; 471.392; and 471.425 governing municipal contracting. The audit must comply with the requirements of sections 123B.75 to 123B.83 governing school district finance, except when the commissioner and authorizer approve a deviation made necessary because of school program finances. The commissioner, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

Once a charter school receives its official district identification number, it is required to follow Uniform Financial Accounting and Reporting Standards (UFARS) as stated in Minnesota Statutes, section 123B.77 and the UFARS Manual.

Audit Exception

As noted above, Minnesota Statutes, section 124E.16, subdivision 1(a), allows for a deviation from charter school audit requirements “made necessary by school program finances,” if approved by the charter school’s authorizer and the commissioner of education. The commissioner will consider charter school requests to depart from statutory audit requirements on a case-by-case basis.

A deviation from the required audit **does not** reduce a charter school’s ethical or legal responsibility to be accountable to the public, or set aside a charter school’s obligation to have its financial transactions audited for any given fiscal year. It **does** provide a vehicle for a charter school to delay an audit in a fiscal year where “school program finances” justify such delay, with the understanding that transactions from that fiscal year will be audited in the subsequent fiscal year.

The Process

Charter schools may seek a deviation from statutory audit requirements under Minnesota Statutes, section 124E.16, subdivision 1(b), by taking the following steps:

1. Submit a written request for a deviation to the charter school's authorizer and the commissioner, explaining in detail why the school's "school program finances" justify such a request for that fiscal year. The charter school's written request must be approved by board resolution, and a copy of such resolution and board minutes must be attached to the written request.
2. The written request must include assurance of the following by the school's Certified Public Accountant:
 - a. All funds received by the school in the applicable fiscal year;
 - b. The deposit of those funds in an appropriate school bank account;
 - c. That the funds were properly expended, as determined by reviewing the school's bank statements, internal accounting records and UFARS submission.
3. The request and supporting documentation must be submitted to the commissioner and the authorizer by September 15 as required by Minnesota Statutes, section 123B.77, subdivision 2. If either the authorizer or commissioner does not approve the request for a deviation, the charter school is required to complete an audit by November 30 for that fiscal year.
4. The charter school's board resolution must acknowledge that if the deviation is granted, the charter school is required to complete an external audit in the subsequent fiscal year that includes **both** that year and the prior year's (delayed) financial activity.
5. A charter school's UFARS file submission requirement is still in effect, regardless of whether an audit deviation is approved. As in all other years, a school's UFARS file submission includes all financial activity from local, state, federal or private funds from outside sources. The charter school's board resolution must confirm the board's understanding that the charter school will submit a UFARS data file as required by law and the UFARS Manual documenting all financial activity.

Please direct questions or submit a written request to [Mary Weigel](mailto:mary.weigel@state.mn.us) (mary.weigel@state.mn.us) or call 651-582-8770. For more information check the [Financial Management webpage](#).