Consistent with the Indiana Charter Law, charter schools are subject to audits by the Indiana State Board of Accounts (“SBOA”). Currently, after a charter school’s second year of operations, and every other year thereafter, the SBOA performs a cash basis audit on each charter school that covers the previous two fiscal years. These audits provide some information regarding whether charter schools are using funds received by the charter schools in accordance with applicable law and information about the cash flows of the charter school.

However, in large part because financial records for the SBOA must be prepared using only cash basis accounting, the audits performed by the SBOA may not reflect liabilities of the charter school in a way necessary to provide good information about the financial condition of the charter school. Accordingly, the Office of Charter Schools (“OCS”) is requiring that all charter schools also keep books in accordance with GAAP and have an annual audit performed by an independent auditing firm. This rule applies as to a charter school’s first year of operation and applies for each school year thereafter.

Beginning in school year 2009-10, OCS made funds available to cover costs associated with financial reviews or audits (when required by the Office of Charter Schools in non-SBOA audit years) when a school chose to utilize the audit firm selected by Ball State. This practice will continue, at least for the time being, now that the Office of Charter Schools is requiring annual audits, but will be subject to review on an annual basis, depending on funds available. A formal announcement about this practice will be made by OCS by August 1 of each school year.

Ball State University has selected an audit firm through a Request for Proposals (RFP) process to conduct financial reviews and/or audits of the Ball State sponsored charter schools. Schools may choose to hire their own independent audit firm or utilize the Ball State selected firm. A school that chooses to utilize its own independent audit firm to conduct an audit must pay all necessary fees directly to that firm. Schools that choose to utilize the Ball State selected independent audit firm will have their audit fee paid by Ball State. Ball State will not pay the cost of auditing a school that chooses to utilize a firm other than the Ball State selected firm.

Each school is required to have a corrective action response on all audit findings within 90 days after the closing meeting with the auditor, regardless of the audit firm utilized.

Questions about these requirements should be directed to the Office of Charter Schools at (765) 285-1336.