**OFFICE OF THE**

**STATE AUDITOR**

**Minnesota Legal Compliance**

**Audit Guide for**

**Charter Schools**

ORDER

Pursuant to Minn. Stat. § 6.65, I hereby prescribe the form and scope of the Minnesota Legal Compliance Audit Guide for Charter Schools. The attached audit guide is hereby incorporated in its entirety. The audit guide consists of the following sections:

|  |  |
| --- | --- |
| Page 1-1 | Charter Schools |
|  |  |
| Page 2-1 | Uniform Financial Accounting and Reporting Standards  (UFARS) for Minnesota School Districts and Charter  Schools |
|  |  |
| Page 3-1 | Examples of Independent Auditor’s Reports |
|  |  |
|  |  |

These sections will comprise the minimum procedures and audit scope for legal compliance for charter schools in Minnesota.

|  |
| --- |
| /s/ |
| Rebecca Otto |
| State Auditor |

**TABLE OF CONTENTS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | |  | Page |
|  | | |  |  |
| Introduction | | |  | i |
|  |  |  |  |  |
| 1. |  | Charter Schools |  | 1-1 |
| 2. |  | Uniform Financial Accounting and Reporting Standards  (UFARS) for Minnesota School Districts and Charter  Schools |  | 2-1 |
| 3. |  | Examples of Independent Auditor’s Reports |  | 3-1 |

## INTRODUCTION

This Legal Compliance Audit Guide was prepared by the Office of the State Auditor pursuant to Minn. Stat. §§ 6.65 and 124E.16 in consultation with representatives from the Attorney General’s Office, towns, cities, counties, school districts, and private sector public accountants. The purpose of the task force was to establish minimum compliance guidelines for verification by auditors engaged in the process of auditing political subdivisions of the state.

This guide is divided into specific sections and presented in checklist form to assist the auditor of government units in the verification of statutory compliance. The guide is not meant to be a complete compilation of all laws affecting municipalities or a complete analysis of the laws cited throughout. The checklist is meant to act as a reference guide regarding minimum legal compliance, and municipal auditors must examine, in addition to applicable laws cited in the guide, those laws creating, granting power to, and restricting the municipal entities they are auditing.

Under each section, except for the initial question establishing the transaction covered by the topic heading and except where the explanation of a given question indicates otherwise, all questions should be answered in the affirmative. A negative answer indicates a compliance problem, and the user of the checklist is directed to the statutory section indicated on the left-hand side of the page. If after examination of the appropriate statute, the auditor using this audit guide is still unsure as to whether there has been legal compliance, he or she should check with legal counsel before rendering the opinion on compliance contained at the end of each section.

AUDITOR’S REPORTS ON COMPLIANCE

Chapter 3 contains five model reports, one of which is to be completed by the auditor following his or her completion of the appropriate compliance sections.

These reports or the language from these reports must be issued as part of the audits of the governmental entities or relief associations.

i

PREPARATION OF MINUTES

Auditing for legal compliance will require a review of the minutes of the charter school board. A charter school must comply with the Minnesota Open Meeting Law, Minn. Stat. ch. 13D. Pursuant to Minn. Stat. § 13D.01, subd. 4:

The votes of the members of the state agency, board, commission, or department; or of the governing body, committee, subcommittee, board, department, or commission on an action taken in a meeting required by this section to be open to the public must be recorded in a journal kept for that purpose. . . The vote of each member must be recorded on each appropriation of money, except for payments of judgments, claims, and amounts fixed by statute.

In addition, subd. 5 states, “[t]he journal must be open to the public during all normal business hours where records of the public body are kept.”

The above provision requires that the individual votes of each member of the charter school board on “an action” be specifically recorded except for votes on “payments of judgments, claims, and amounts fixed by statute.”

Having satisfied minimum requirements, the question of how elaborate and extensive the minutes should be is largely a policy matter for determination by the particular body in the exercise of reasonable judgment and discretion. The Attorney General has explained:

...there may be circumstances in which it would be advisable for the town board to provide for the minutes to include information over and above what is necessary to satisfy minimum statutory requirements for a record of its official actions.

Op. Atty. Gen. 851-C, March 5, 1992. For example, the board’s reasons for reaching a particular decision could be crucial in defending a challenge to the action taken. The inclusion of such information may be deemed appropriate under other circumstances, such as where the body determines that the public interest warrants the award of a particular contract to a bidder other than the lowest bidder.

Unless a charter school adopts a records retention schedule (and notifies the Minnesota Historical Society), it may not destroy public records without the permission of the records disposition panel. Applications may be made to the State Archives Department for such permission. For instance, sealed bids received by a charter school must be kept forever, unless the charter school (1) adopts the School District General Records Retention Schedule; in which case, the charter school must maintain these records for six years; (2) adopts its own properly approved records retention schedule; or (3) receives authority to dispose of the records from the records disposition panel. Under Minn. Stat. § 124E.03, subd. 5, a charter school must comply with Minn. Stat. §§ 138.163 and 138.17 governing the management of local records.

ii

A political subdivision that wishes to adopt the appropriate General Records Retention Schedule can find information on the State Archives website (<http://www.mnhs.org/preserve/records/retentionsched.php>).

For information and assistance in disposing of or transferring government records, contact:

Minnesota Historical Society

State Archives Department

345 Kellogg Boulevard West

St. Paul, Minnesota 55102-1906

(651) 259-3260

<http://www.mnhs.org/preserve/records/index.htm>

Questions about the Minnesota Government Data Practices Act should be directed to:

Minnesota Department of Administration

Information Policy Analysis Division

201 Administration Building

50 Sherburne Avenue

St. Paul, Minnesota 55155

(651) 296-6733

(800) 657-3721

<http://www.ipad.state.mn.us>

In future years, this *Minnesota Legal Compliance Audit Guide* will be updated, and additional compliance sections may be added. If you have comments or suggestions with regard to future editions, please contact us at:

Office of the State Auditor

525 Park Street, Suite 500

St. Paul, Minnesota 55103

(651) 296-2551

(651) 296-4755 (Fax)

<http://www.auditor.state.mn.us>

iii