



*Dale R. Folwell, CPA*

**Memorandum # 2022-05**

**TO:** Charter School Independent Auditors

**FROM:** Susan McCullen, Director, Fiscal Management Section

**SUBJECT:** Important Changes in Charter School Reporting Requirements

**DATE:** August 26, 2021

Per North Carolina [Session Law 2021-58](#) (House Bill 163), charter school audit reports, audit contracts, and audit invoices are no longer required to be submitted to the Local Government Commission (LGC) for review and approval. The LGC no longer has authority or oversight responsibilities regarding these charter school documents and reports.

Section 5 of [Session Law 2021-58](#) added the following language to G.S. 115C-218.30 regarding the audit requirements adopted by the State Board of Education for charter schools : “The audit requirements shall not include submission to, review of, or approval by, the Local Government Commission for any audit reports, audit contracts, or audit invoices, nor shall they require any other authority, involvement, or oversight by the Local Government Commission with regard to financial reporting, accountability requirements, or procedures.”

Charter schools will now be required to remit their required annual financial statement audit to the North Carolina Department of Public Instruction (DPI).

While the modification to this statute is effective as of June 28, 2021, the staff of the LGC will assist the Department of Public Instruction Financial and Business Services Division and Office of Charter Schools as they make appropriate modifications to their systems and procedures to fully implement the statutory changes.

The following changes and procedures are established and are being implemented by LGC staff and DPI. The changes are effective as of the date of enactment of the session law (June 28, 2021):

**Audit Contract Approvals:**

1. Auditors are no longer required to remit contracts to the LGC for review or approval. If the auditor has already remitted the audit contract to the LGC, the auditor should proceed with the audit as approval is no longer required.
2. Provisions in executed contracts that reference or require approval of the Secretary of the LGC or submission to the LGC are no longer applicable.
3. DPI will not require auditors or charter schools to remit audit contracts. DPI will not review or approve audit contracts.
4. DPI expectations regarding audit contracts:
  - a. Charter schools are expected to procure audit services and establish and manage audit contracts in compliance with State and Federal laws.
  - b. Charter schools should maintain audit contract documents in compliance with established record retention requirements.
  - c. DPI may consider establishing specific contract terms and conditions to be included in future audit contracts.

**Invoice Approvals:**

5. Auditors are no longer required to remit invoices to the LGC for review and approval for payment.
6. DPI will not require charter schools or auditors to remit invoices for review or approval.
7. DPI expectations regarding invoices:
  - a. Charter schools are expected to review and pay audit related invoices in compliance with their policies and procedures.

**Financial Statement Audit Submissions:**

8. Auditors should no longer submit audited financial statements and related documents (auditor communications) for charter schools to the LGC.
9. Charter schools are required to submit their financial statement audits including compliance reports and any other related reports to the NC DPI Office of Charter Schools through the Epicenter portal effective immediately.
10. Charter schools are required to submit a financial statement audit including compliance reports and any other related reports to the NC DPI Office of Charter Schools each year by October 31.

Technical Support:

11. Sample charter school financial statements are available on the LGC [website](#) for FY2021.
12. LGC staff will continue to provide sample government financial statements on our website each year that address the most current changes in accounting practices. While we will not continue posting the charter school illustrative financial statements after the fiscal year ended June 30, 2021, auditors may use our [Board of Education](#) illustrative financial statements which are very similar to the charter school statements.
13. LGC staff will continue to answer questions from auditors and units of local government, including charter schools, on accounting and reporting under the Local Government Budget and Fiscal Control Act.
14. Charter schools remain subject to state and federal compliance audit requirements.

Please note that DPI is also sending a separate memo with the same information to the charter school leaders and finance officers.

Questions may be addressed to Shirley McFadden at the Department of Public Instruction at [shirley.mcfadden@dpi.nc.gov](mailto:shirley.mcfadden@dpi.nc.gov) or to Jones Norris at the Department of the State Treasurer at [Jones.Norris@NCTreasurer.com](mailto:Jones.Norris@NCTreasurer.com).