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CHARTER SCHOOL OVERSIGHT; ANNUAL AUDITS

House Bill 5386

Sponsor: Rep. Michael Switalski

Committee: Education

Complete to 2-18-00

A SUMMARY OF HOUSE BILL 5386 AS INTRODUCED 2-16-00

House Bill 5386 would amend the Revised School Code to require an intermediate school district (ISD) to monitor the operations of the public school academies (customarily called charter schools) that are located within its boundaries. In particular, the bill would require oversight of the management companies that provide services to charter schools and to school districts. Further, the bill specifies requirements for annual financial audits for school districts, charter schools, and ISDs.

Charter school oversight. Under the bill, at the direction of the state board or the superintendent of public instruction, an intermediate superintendent would be required to examine and audit the books and records of a public school academy located within the intermediate school district, to the same extent as the ISD oversaw its constituent school districts. This would include oversight of a management company or other contractor providing services to a school district or public school academy. The bill also would require the ISD superintendent to make written reports to the governing boards of public school academies.

Annual audits. Further, House Bill 5386 specifies that in order to determine the reasonableness of expenditures and whether a violation of state law had occurred, the Department of Education would be required to direct the governing board of each school district, public school academy, and intermediate school district to have an audit of its financial and pupil accounting records conducted at least annually, and at its expense. If the district or charter school had contracted for management or other operational services, the audit would be required to include records of the contractor. The audit could be conducted by a certified public accountant, or by the intermediate superintendent, or in the case of a first class school district, by either of these or by the auditor general of the city. Under the bill, when an ISD's audit was submitted, it would be accompanied by its pupil accounting procedures report. Further, a school district, public school academy, or ISD audit would include an analysis of the financial and pupil accounting data used as the basis for distribution of state school aid. Generally, the pupil accounting records and reports, audits, and management letter would be subject to requirements established by the department.

Audit reporting requirements. Under House Bill 5386, the board of a school district and the board of directors of a public school academy would be required to file the annual financial audit reports with the ISD not later than 120 days after the end of each school fiscal year. The ISD would forward the district and academy audit reports, and also its own ISD audit report, to the Department of Education not later than November 15 each year. The reports would include the pupil accounting procedures report for the pupil membership count day, and for the supplemental count day.

House Bill 5386 (2-18-00)

House Bill 5386 specifies that the governing board of each school district, public school academy, and ISD would file with the department by November 15 an annual comprehensive financial report, know as “Form B”. If a school district or public school academy has contracted for management services, the annual financial report would be required to include information about the services performed by the contractor, and about expenditures for those services.

Public accountability. The bill specifies that all financial audit reports, pupil accounting procedures reports, and annual comprehensive financial reports would be available to the public in compliance with the Freedom of Information Act.

Legislative oversight. Finally, House Bill 5386 specifies that not later than December 1 of each year, the department would have to notify the state budget director, the state board, the legislative appropriations subcommittees responsible for review of the school aid budget, and the legislative standing committees on education about those districts, public school academies, and ISDS that have failed to file the required reports.

MCL 380.506a, 380.653, and 380.1220

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.