

# Charles A. Krblich, P. A.

*Certified Public Accountants*

## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors  
The Charter Schools of Excellence, Inc.  
Fort Lauderdale, Florida

### **Report on the Financial Statements**

We have audited the financial statements of The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. and a component unit of The School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 25, 2019.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated September 25, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings in the preceding annual financial audit report, however, corrective actions have been taken regarding the recommendations made in the prior year's Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus (f/k/a Charter School of Excellence).

### **Financial Condition and Management**

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate  
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procedures and communicate whether or not The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus. It is management's responsibility to monitor The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. The School reported an unassigned fund balance deficit of (\$128,844), for which the School has sufficient resources to cover.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses.

#### **Transparency**

Section 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

#### **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

#### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and The School Board of Broward County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Charles A. K...". The signature is written in a cursive style and is positioned above a horizontal line.

Fort Lauderdale, Florida  
September 25, 2019

**The Charter Schools of Excellence, Inc. #5031 Fort Lauderdale 1 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*  
**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2019

Finding 2019-01 – Financial Reporting

Criteria: The School is responsible for accurate financial reporting, which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records.

Condition: Our audit revealed several misstatements related to the following: (1) cut off and (2) the recording of expenses which resulted in the necessity of adjustments required to be recorded in order to present the financial statements in conformity with generally accepted accounting principles.

Cause: The condition results from School personnel not consistently adhering to the policies and procedures regarding the cash disbursements or reconciliations.

Potential effect: Failure to perform the procedures could result in misappropriation of assets and accounting errors.

Recommendation: We recommend the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Views of responsible officials: Management will review procedures relating to reviewing financial statements, including reviewing bank reconciliations and postings to the general ledger. Management will try to identify weaknesses in procedures and conduct staff training where necessary.

Finding 2019-02 – Internal Account Deposits and Disbursements

Criteria: The School is responsible for accurate financial reporting, which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records.

Condition: The School recorded transactions from the internal bank accounts to income or expense based on total transactions on the bank statements, but did not itemize the postings to be consistent with the type of the income or expense.

Cause: The condition results from the bookkeeping function being performed by two different outside contractors. One of the outside contractors is maintaining the internal accounts while the other is maintaining the Full-Time Equivalent (FTE) accounts and producing the overall financial statements. The detail recorded by the contractor maintaining the internal accounts is not being recorded in the same fashion on the full general ledger maintained by the contractor producing the overall financial statements.

Potential effect: Failure to perform the procedures could result in misappropriation of assets and accounting errors.

Recommendation: We recommend the School review procedures and refine guidelines for recording of transactions maintained by the two different outside contractors so that all deposits and disbursements are properly recorded.

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**SCHEDULE OF FINDINGS AND RESPONSES**  
June 30, 2019

Finding 2019-02 – Internal Account Deposits and Disbursements – Continued

Views of responsible officials: Management will adhere to the auditor's recommendation. Management will review procedures and try to identify weaknesses in procedures and conduct staff training where necessary.