

**REVIEW OF  
DISTRICT SCHOOL BOARD,  
CHARTER SCHOOL, AND  
CHARTER TECHNICAL CAREER CENTER  
AUDIT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2019**

Pursuant to Section 11.45(7)(b), Florida Statutes



Sherrill F. Norman, CPA  
Auditor General

The team leader was Walter K. Cunningham, CPA, and the review was supervised by Jacqueline M. Bell, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at [mikegomez@aud.state.fl.us](mailto:mikegomez@aud.state.fl.us) or by telephone at (850) 412-2881.

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# REVIEW OF DISTRICT SCHOOL BOARD, CHARTER SCHOOL, AND CHARTER TECHNICAL CAREER CENTER AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

## **SUMMARY**

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State law <sup>1</sup> requires all charter schools and charter technical career centers (hereafter collectively referred to as charter schools) and certain district school boards to provide for annual financial audits conducted by independent certified public accountants (CPAs). Audit reports are required to be filed with us within 45 days after delivery of the audit report to the charter school or district school board's governing body, but no later than 9 months after the end of the fiscal year.<sup>2</sup>

During the fiscal year ended June 30, 2019, there were 67 district school boards and 650 charter schools in operation in the State of Florida. Pursuant to State law,<sup>3</sup> we reviewed the 2018-19 fiscal year audit reports filed with us through May 31, 2020, including audit reports for 20 district school boards<sup>4</sup> and 648 charter schools, and determined that the information was generally presented in accordance with generally accepted accounting principles (GAAP) and the audit reports generally complied with generally accepted government auditing standards (GAGAS) and Rules of the Auditor General.<sup>5</sup> However, we noted the following instances in which audit reports were not filed, not filed timely, or not prepared in accordance with all applicable requirements:

**Finding 1:** Two charter schools that closed during the 2018-19 fiscal year did not file audit reports with us. In addition, 1 district school board and 2 charter schools did not file the required audit report with us within 45 days after delivery of the audit report to the entity's governing body and by the March 31, 2020, deadline. We also noted another charter school that filed the required audit report with us within 45 days after delivery of the audit report to the entity's governing board but after the March 31, 2020, deadline. Further, while a district school board and 18 charter schools filed audit reports with us by the March 31, 2020, deadline, the reports were not filed within 45 days of the audit report delivery to the entity's governing body.

**Finding 2:** Our completeness reviews of the audit reports disclosed instances of noncompliance with certain requirements, primarily related to the independent auditor's reports and financial statement note disclosures.

**Finding 3:** Our comprehensive reviews of 20 district school board audit reports and selected charter school audit reports disclosed certain instances of noncompliance with GAAP and GAGAS.

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<sup>1</sup> Section 218.39(1), Florida Statutes.

<sup>2</sup> Section 218.39(7), Florida Statutes.

<sup>3</sup> Section 11.45(7)(b), Florida Statutes.

<sup>4</sup> Of the 67 district school boards, 20 were subject to 2018-19 fiscal year financial audits conducted by CPAs other than the Auditor General.

<sup>5</sup> Chapters 10.800 and 10.850, Rules of the Auditor General.

## **BACKGROUND**

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State law<sup>6</sup> requires annual financial audits of each charter school and charter technical career center (hereafter collectively referred to as charter schools) and district school board. State law<sup>7</sup> defines a financial audit as an examination of financial statements in order to express an opinion on the fairness with which the statements are presented in conformity with generally accepted accounting principles (GAAP) and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements. Financial audits must be conducted in accordance with auditing standards generally accepted in the United States and generally accepted government auditing standards (*Government Auditing Standards* issued by the Comptroller General of the United States).<sup>8</sup>

State law establishes several requirements that independent certified public accountants (CPAs) must follow when conducting financial audits of charter schools and district school boards. For example, the CPAs performing these financial audits must:

- Prepare a management letter that is included as a part of the financial audit report.<sup>9</sup>
- Discuss with the appropriate officials all findings that will be included in the financial audit report.<sup>10</sup>
- Conduct the audits in accordance with the Rules of the Auditor General.<sup>11</sup>

Additionally, State law<sup>12</sup> requires the appropriate entity officer to provide a written statement of explanation or rebuttal concerning the audit findings, including corrective action to be taken. The officer's written statement is to be filed with the entity's governing body within 30 days after the delivery of the findings.

To assist auditors in complying with the requirements of generally accepted government auditing standards (GAGAS), and applicable laws, rules, and regulations, and pursuant to State law,<sup>13</sup> we developed rules<sup>14</sup> and audit report review guidelines that provide, among other things, procedural guidance for CPAs to follow to ensure compliance with financial audit requirements. These rules require that the scope of a financial audit include: an examination of the financial statements in order to express an opinion on them; an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements; an examination of any additional financial information necessary to comply with GAAP; and, when applicable, the additional activities necessary to determine compliance with Federal Uniform Guidance. The rules were adopted in consultation with the Board of Accountancy, and the rules and guidelines are made available on our Web site.

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<sup>6</sup> Sections 11.45(2)(d) and 218.39(1), Florida Statutes.

<sup>7</sup> Section 218.31(17), Florida Statutes.

<sup>8</sup> *Government Auditing Standards* incorporate by reference the auditing standards generally accepted in the United States (i.e., *American Institute of Certified Public Accountants Statements on Auditing Standards*).

<sup>9</sup> Section 218.39(4), Florida Statutes.

<sup>10</sup> Section 218.39(5), Florida Statutes.

<sup>11</sup> Section 218.39(7), Florida Statutes.

<sup>12</sup> Section 218.39(6), Florida Statutes.

<sup>13</sup> Section 11.45(8), Florida Statutes.

<sup>14</sup> Chapters 10.800 and 10.850, Rules of the Auditor General.

## ***FINDINGS AND RECOMMENDATIONS***

### **Finding 1: Noncompliance – Audit Report Filing Requirements**

State law<sup>15</sup> requires the district school boards or charter schools to file with us the audit report and a written response to any report or management letter findings within 45 days after delivery of the audit report to the entity's governing body, but no later than 9 months after the end of the fiscal year. For the 2018-19 fiscal year, 20 district school boards and 650 charter schools were required to file financial audit reports with us. Table 1 quantifies, as of May 31, 2020, the number of district school boards and charter schools that did not comply with the audit report submittal requirements for the 2018-19 fiscal year.

**Table 1**  
**Noncompliance with Audit Report**  
**Filing Requirements**

<b>Noncompliance Type</b>	<b>District School Board</b>	<b>Charter Schools</b>
Audit required but report not filed	-	2
Audit report filed more than 45 days after the report was delivered to the entity's governing body and after March 31, 2020	1	2
Audit report filed within 45 days after the report was delivered to the entity's governing body but after March 31, 2020	-	1
Audit report filed by March 31, 2020, but more than 45 days after the report was delivered to the entity's governing body	1	18

Regarding the noncompliance shown in Table 1:

- 2 of the 650 charter schools in operation during the 2018-19 fiscal year did not file the required audit report with us. Both charter schools (Eagle Arts Academy and Pasco Mycroschool) closed during the 2018-19 fiscal year.
- 1 district school board (Polk District School Board) and 2 charter schools (Bright Futures Academy and Ocali Charter Middle School) did not file the required audit report with us within 45 days after delivery of the audit report to the entity's governing body and by March 31, 2020 (i.e., 9 months after the June 30, 2019, fiscal year end). The Polk District School Board report was filed with us 23 days after the 45-day deadline and 7 days after March 31, 2020. The Bright Futures Academy and Ocali Charter Middle School reports were filed with us 127 and 184 days after the 45-day deadline, respectively, and 27 and 14 days after March 31, 2020, respectively.
- 1 charter school (Academy for Environmental Science) filed the required audit report with us within 45 days after delivery of the audit report to the entity's governing board but 8 days after March 31, 2020.
- Although audit reports for 19 district school boards and 645 charter schools were filed with us by March 31, 2020, the reports for 1 of the 19 district school boards and 18 of the 645 charter schools were filed 52 to 200 days after the delivery of the audit report to the entity's governing body. A

<sup>15</sup> Section 218.39(7), Florida Statutes.

listing of these entities that shows the number of days each entity's audit report was filed late is included as **EXHIBIT A** to this report.

District school boards and charter schools that fail to provide for financial audits may be subject to consequences prescribed by State law.<sup>16</sup> Timely audits are necessary to ensure that management and those charged with governance are promptly informed of control deficiencies and financial-related noncompliance. Additionally, timely filed audit reports provide for timely review by appropriate Federal and State oversight agencies.

**Recommendation: Management of the district school boards and charter schools should ensure that audits are timely completed and audit reports are filed in accordance with State law.**

## **Finding 2: Completeness Reviews**

We performed completeness reviews of all 20 district school board and 648 charter school audit reports filed with us as of May 31, 2020, to determine whether the audit reports included the financial statements, note disclosures, reports, and other items required by GAAP and the Rules of the Auditor General, and the extent to which the audit reports complied, for selected significant matters, with GAAP, GAGAS, and Rules of the Auditor General. State law<sup>17</sup> requires us to request from the district school boards and charter schools any significant items omitted from audit reports. The district school boards and charter schools are to provide us with the requested items no later than 45 days after the date of our request.

Most of the audit reports subjected to our completeness reviews included audited financial statements and the required notes thereto, the required independent auditor's reports on the financial statements and on internal control over financial reporting and compliance (compliance report), and the independent accountant's report of district school board compliance with investment requirements in State law, as applicable. Additionally, most of the reports reviewed were generally presented in accordance with GAAP, GAGAS, and Rules of the Auditor General. However, we noted certain instances of noncompliance, many of which related to independent auditor's reports and financial statement note disclosures. For example:

- The independent auditor's reports on the financial statements for 113 (82 percent) of the 137 applicable charter school audit reports we reviewed did not address the auditor's responsibility for the supplementary information presented.
- The independent auditors for 128 (21 percent) of the 624 applicable charter school audit reports we reviewed did not opine on all opinion units or opined on opinion units (i.e., aggregate remaining fund information) that did not exist on the financial statements. Consequently, these audit opinions did not correctly identify the opinion units upon which the auditor should have opined.
- Financial statement note disclosures for 61 (10 percent) of the 623 applicable charter school audit reports we reviewed did not disclose whether the amounts of settlements exceeded insurance coverage for each of the past 3 years and, if applicable, the excess amounts.

**EXHIBIT B** to this report provides, by entity type, a summary of the deficiencies disclosed by our completeness reviews along with comparative prior year information.

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<sup>16</sup> Section 11.40(2), Florida Statutes.

<sup>17</sup> Section 11.45(7)(b), Florida Statutes.

We sent letters to 1 district school board and 33 charter schools requesting significant items that had been omitted from audit reports and concurrently provided copies of the letters to the respective entity auditors. The items requested from the district school board and charter schools included, for example, the submittal checklist identifying the date the auditor delivered the report to the entity and a schedule disclosing the employer's proportion of the collective net pension liability, the employer's covered payroll, and the plan's fiduciary net position as a percentage of the total pension liability.

External parties rely on audits to provide independent assessments of the accuracy and completeness of the financial statements, as well as to provide a means for evaluating the effectiveness of an entity's internal controls and the extent to which an entity has complied with applicable laws, rules, regulations, contractual requirements, and bond covenants. Accordingly, it is important that the components of the audit report, such as the independent auditor's reports and management letter, financial statements, and notes to financial statements, be presented in accordance with GAAP, GAGAS, and Rules of the Auditor General so that the reader can form appropriate conclusions relating to the audited entity.

**Recommendation: District school boards, charter schools, and their auditors should ensure that audit reports contain all the required information presented in accordance with applicable requirements.**

### **Finding 3: Comprehensive Reviews**

In addition to completeness reviews, we performed comprehensive reviews of selected audit reports for the 2018 -19 fiscal year and noted certain errors and deficiencies. Specifically, we reviewed:

- 80 (20 district school board and 60 charter school) audit reports to determine the extent of compliance, on a comprehensive basis, with GAAP, GAGAS, and Rules of the Auditor General, and noted deficiencies pertaining to the auditor's report on the financial statements, financial statements, and note disclosures (other than pension plans and other postemployment benefits plan disclosures) and required supplementary information (RSI). For example, the notes to the financial statements for 8 (42 percent) of the 19 applicable charter school audit reports did not disclose that the government-wide financial statements reported only nonfiduciary activities and that fiduciary activities were reported only in the fund financial statements.
- 50 (20 district school board and 30 charter school) audit reports with pension plan note disclosures to determine the extent of compliance with GAAP and noted some deficiencies. For example, regarding the defined benefit pension plan discount rate, 11 (37 percent) of the 30 applicable charter school reports the notes did not disclose the periods of projected benefits payments to which the long-term expected rate of return and, if used, the municipal bond rate applied to determine the discount rate.
- 33 (20 district school board and 13 charter school) audit reports with other postemployment benefit (OPEB) plan note disclosures and RSI to determine the extent of compliance with GAAP and identified some noncompliance. For example, for 1 (5 percent) of the 20 district school boards and 5 (38 percent) of the 13 applicable charter schools, the notes to the financial statements did not disclose the amount of OPEB expense recognized by the employer in the reporting period.

**EXHIBIT C** to this report provides a summary, by entity type, of the deficiencies disclosed by our comprehensive reviews. Because of the limited number of reports reviewed for each entity type, **EXHIBIT C** does not present comparative prior year information.

**Recommendation: Management of district school boards and charter schools should ensure that financial statement note disclosures, including pension plan and OPEB plan disclosures, and RSI are presented in accordance with GAAP.**

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The objectives of this project were to determine whether the district school board and charter school audit reports filed with us for our review:

- Complied with generally accepted governmental auditing standards (GAGAS), generally accepted accounting principles (GAAP), and Rules of the Auditor General.<sup>18</sup>
- Were prepared by independent certified public accountants (CPAs) properly licensed by the Florida Board of Accountancy.

The scope of this project included a review of the financial audit reports prepared by independent CPAs and filed with us by May 31, 2020, for 20 district school boards and 648 charter schools for the fiscal year ended June 30, 2019.

Our review was necessarily limited to the contents of the audit reports filed with us and did not extend to an examination of the CPAs' working papers or a determination of whether the auditors followed all GAGAS in the actual conduct of the audits. Because our review was limited to the contents of the audit reports filed with us, the review cannot be used as the basis for determining the extent of an entity's compliance with applicable laws, rules, regulations, charters, contractual requirements, or bond covenants. Likewise, our review would not disclose whether the auditor reported all instances of noncompliance or reportable internal control deficiencies noted during the audit, or whether certain required financial disclosures were completely omitted from the audit report.

To assist with the conduct of our review, we established a completeness review checklist and various comprehensive review checklists with evaluation criteria from our rules and report review guidelines (as discussed in the **BACKGROUND** section of this report). Due to the number of reports included in this review, we applied the comprehensive review checklists to selected district school board and charter school audit reports. Specifically, for the district school board and charter school audit reports filed with us through May 31, 2020, we completed:

- Completeness review checklists for all 20 district school board and 648 charter school audit reports.
- Comprehensive review checklists for:
  - The financial statements for the 20 district school board and 60 selected charter school audit reports.
  - Financial statement note disclosures (other than pension plan and other postemployment benefit (OPEB) plan disclosures) for the 20 district school board and 60 selected charter school audit reports.
  - Pension plan note disclosures for the 20 district school board audit reports and 30 selected charter school audit reports.

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<sup>18</sup> Chapters 10.800 and 10.850, Rules of the Auditor General.



- OPEB plan note disclosures for the 20 district school board audit reports and the 13 applicable charter school audit reports.
- Federal Uniform Guidance<sup>19</sup> reporting requirements for the 20 district school board audit reports and the 16 applicable charter school audit reports.

## ***AUTHORITY***

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Section 11.45(7)(b), Florida Statutes, requires the Auditor General to review, in consultation with the Florida Board of Accountancy, all district school board, charter school, and charter technical career center financial audit reports prepared by independent certified public accountants (CPAs) and filed pursuant to Section 218.39, Florida Statutes. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our review of district school board, charter school, and charter technical career center audit reports prepared by independent CPAs for the fiscal year ended June 30, 2019.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA  
Auditor General

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<sup>19</sup> Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

## EXHIBIT A

**DISTRICT SCHOOL BOARD AND CHARTER SCHOOL  
2018-19 FISCAL YEAR AUDIT REPORTS  
FILED BY MARCH 31, 2020, BUT MORE THAN 45 DAYS AFTER  
REPORT WAS DELIVERED TO THE ENTITY'S GOVERNING BODY**

		Number of Days Audit Report	
		Filed After Delivery to Entity's Governing Body	Filed Late
<b>District School Board</b>			
1	Alachua County District School Board	57	12
<b>Charter School</b>			
1	Aspire Charter Academy	63	18
2	Green Springs High School	54	9
3	Horizon Charter School of Tampa	72	27
4	Innovations Middle Charter School	94	49
5	Marco Island Academy High School	78	33
6	Marco Island Academy Middle School	79	34
7	Mason Classical Academy	67	22
8	Palmetto Charter School	64	19
9	Pensacola Beach Elementary School	69	24
10	Pepin Academies of Pasco County	92	47
11	Pinellas Preparatory Academy	115	70
12	Pinellas Primary Academy Charter School	115	70
13	Princeton House Charter School	70	25
14	St. Johns Community Campus Charter School	200	155
15	The Passport School	62	17
16	The Pepin Academies	52	7
17	The Seaside School	57	12
18	Therapeutic Learning Center Charter School	200	155

**19 Total Number of Audit Reports Not Filed Within 45 Days After the Report was Delivered to the Entity's Governing Body (Reports were Filed by March 31, 2020)**

## EXHIBIT B

### SUMMARY OF DEFICIENCIES NOTED DURING COMPLETENESS REVIEWS OF 2018-19 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports <sup>a</sup>				Charter School Audit Reports <sup>b</sup>			
	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Prior Fiscal Year Percent
<b>Auditor's Report on the Financial Statements:</b> The opinion on the financial statements did not correctly identify the applicable opinion units upon which the auditor should have opined.	20	-	-	-	624	128	21	21
Introductory paragraph of the report did not correctly identify the individual opinion units.	20	-	-	-	624	128	21	21
The report did not disclose the auditor's responsibility for the supplementary information presented.	20	2	10	-	137	113	82	66
<b>Notes to Financial Statements:</b> The notes did not describe the types of transactions included in program revenues.	20	-	-	-	623	59	9	11
The notes did not disclose whether the amounts of settlements exceeded insurance coverage for each of the past 3 years and, if applicable, the excess amounts.	20	-	-	5	623	61	10	12
The notes did not identify the governmental funds typically used to liquidate long-term liabilities.	19	-	-	5	136	59	43	35

<sup>a</sup> A total of 20 district school board audit reports were included in our completeness review.

<sup>b</sup> A total of 648 charter school audit reports were included in our completeness review.

## EXHIBIT C

### SUMMARY OF DEFICIENCIES NOTED DURING COMPREHENSIVE REVIEWS OF 2018-19 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports <sup>a</sup>			Charter School Audit Reports <sup>a</sup>		
	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent	Number of Reports to Which Criteria Applied	Number of Reports with Deficiencies	Percent
<b>Notes to Financial Statements (Other than Pension Plan and Other Postemployment Benefit (OPEB) Plan Disclosures):</b>						
The notes did not disclose that the government-wide financial statements reported only nonfiduciary activities and that fiduciary activities are reported only in the fund financial statements.	20	-	-	19	8	42
The notes did not disclose the nature and extent of restrictions for restricted cash shown on the Balance Sheet or Statement of Net Position.	12	3	25	17	1	6
<b>Pension Plan Disclosures:</b>						
Regarding the defined benefit pension plan discount rate, the notes did not disclose the periods of projected benefits payments to which the long-term expected rate of return and, if used, the municipal bond rate applied to determine the discount rate.	20	-	-	30	11	37
The notes did not disclose the pension expense for the pension plan when the entity participated in a defined contribution plan.	17	2	12	13	5	38
<b>OPEB Plan Financial Statement Note Disclosures:</b>						
The notes did not disclose the amount of OPEB expense recognized by the employer in the reporting period.	20	1	5	13	5	38
The notes did not disclose the Net OPEB assets and OPEB expenses for the period associated with the OPEB liabilities to employees and Deferred outflows and inflows of resources related to the OPEB.	20	1	5	13	5	38
The notes did not disclose a description of the types of benefits and the authority under which the provision benefits are established or may be amended.	20	-	-	13	3	23

<sup>a</sup> Finding 3 and the **OBJECTIVES, SCOPE, AND METHODOLOGY** section of this report identify the number of entities we selected for review.