

**REVIEW OF  
DISTRICT SCHOOL BOARD,  
CHARTER SCHOOL, AND  
CHARTER TECHNICAL CAREER CENTER  
AUDIT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2020**

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 Derek H. Noonan, CPA.

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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, 2020

## **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, 2020, there were 67 district school boards and 666 charter schools in operation in the State of Florida. Pursuant to State law,<sup>3</sup> we reviewed the 2019-20 fiscal year audit reports filed with us through April 14, 2021, including audit reports for 20 district school boards<sup>4</sup> and 664 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 2019-20 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, 2021, 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, 2021, deadline. Further, while 34 charter schools filed audit reports with us by the March 31, 2021, 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 2019-20 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 other 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. The 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. As the district school boards and charter schools have a June 30 fiscal year end,<sup>16</sup> the reports are to be filed with us no later than March 31 each year.

For the 2019-20 fiscal year, 20 district school boards and 666 charter schools were required to file financial audit reports with us. Table 1 quantifies, as of April 14, 2021, the number of district school boards and charter schools that did not comply with the audit report submittal requirements for the 2019-20 fiscal year.

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

Description of Noncompliance	District School Board	Charter Schools
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, 2021.	1	2
Audit report filed within 45 days after the report was delivered to the entity's governing body but after March 31, 2021.	-	1
Audit report filed by March 31, 2021, but more than 45 days after the report was delivered to the entity's governing body.	-	34

Regarding the noncompliance shown in Table 1:

- 2 of the 666 charter schools in operation during the 2019-20 fiscal year did not file the required audit report with us. Both charter schools (Kid's Community College Charter and School for Accelerated Learning and Technology) closed during the 2019-20 fiscal year.
- 1 district school board (Duval County District School Board) and 2 charter schools (Latin Builders Association Construction and Business Management Academy and Academir Charter School West) did not file the required audit report with us within 45 days after delivery of the audit report to the entity's governing body or by March 31, 2021. The Duval County District School Board report was filed with us 112 days after the 45-day deadline and 9 days after March 31, 2021. The Latin Builders Association Construction and Business Management Academy and Academir Charter School West were filed with us 389 and 209 days, respectively, after the 45-day deadline, and 9 days after March 31, 2021.

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

<sup>16</sup> Charter schools that close or are terminated before June 30 must file reports with us no later than 9 months after their respective closure or termination date.

- 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 9 days after March 31, 2021.
- Although audit reports for 19 district school boards and 661 charter schools were filed with us by March 31, 2021, the reports for 34 of the 661 charter schools were filed 53 to 210 days after the delivery of the audit report to the entity's governing body. A 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>17</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 664 charter school audit reports filed with us as of April 14, 2021, 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>18</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 (83 percent) of the 136 applicable charter school audit reports and 2 (10 percent) of the 20 applicable district school board audit reports we reviewed did not address the auditor's responsibility for the supplementary information presented.
- The independent auditors for 117 (18 percent) of the 638 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.

<sup>17</sup> Section 11.40(2), Florida Statutes.

<sup>18</sup> Section 11.45(7)(b), Florida Statutes.

- Financial statement note disclosures for 71 (11 percent) of the 635 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.

We also noted that the audit reports for 2 district school boards and 21 charter schools omitted significant items. We sent letters to the district school boards and charter schools requesting the items and concurrently provided copies of the letters to the respective entity auditors. The items requested included, for example, the submittal checklist identifying the date the auditor delivered the report to the entity and missing disclosures to clarify whether audit findings from the preceding financial audit report had been corrected and identification of any uncorrected audit findings from the two preceding financial audit reports.

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 related 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 2019-20 fiscal year and noted certain errors and deficiencies. Specifically, we reviewed:

- The audit reports for the 20 district school boards and 60 selected charter schools to determine the extent of compliance, on a comprehensive basis, with GAAP, GAGAS, and Rules of the Auditor General, and noted deficiencies pertaining to note disclosures (other than pension plans and other postemployment benefit (OPEB) plan disclosures) and required supplementary information (RSI). Specifically, the notes to the financial statements for 8 (44 percent) of the 18 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 audit reports with pension plan note disclosures, including the 20 district school board and 30 selected charter school audit reports, to determine the extent of compliance with GAAP and noted some deficiencies. For example, regarding the defined benefit pension plan discount rate, the notes in 9 (30 percent) of the selected charter school reports 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.
- The 31 audit reports with OPEB plan note disclosures and RSI, which included the 20 district school board and 11 charter school audit reports, to determine the extent of compliance with GAAP and identified some noncompliance. For example, for 4 (20 percent) of the district school

boards and 6 (55 percent) of the charter schools, the notes to the financial statements did not disclose a description of the types of benefits and the authority under which the provision of benefits is established or may be amended.

**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**

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>19</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 April 14, 2021, for 20 district school boards and 664 charter schools for the fiscal year ended June 30, 2020.

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 April 14, 2021, we completed:

- Completeness review checklists for all 20 district school board and 664 charter school audit reports.
- Comprehensive review checklists for:

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<sup>19</sup> Chapters 10.800 and 10.850, Rules of the Auditor General.



- 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.
- OPEB plan note disclosures for the 20 district school board audit reports and the 11 applicable charter school audit reports.
- Federal Uniform Guidance<sup>20</sup> reporting requirements for the 20 district school board audit reports and the 14 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, 2020.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible.

Sherrill F. Norman, CPA  
Auditor General

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<sup>20</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 2019-20 FISCAL YEAR AUDIT REPORTS FILED BY MARCH 31, 2021, BUT MORE THAN 45 DAYS AFTER REPORT WAS DELIVERED TO THE ENTITY'S GOVERNING BODY

Charter School		Number of Days Audit Report	
		Filed After Delivery to Entity's Governing Body	Filed Late
1	Academir Charter School Middle	172	127
2	Academir Charter School Preparatory	172	127
3	Academir Preparatory Academy	172	127
4	Access Charter School	70	25
5	Alpha International Academy	170	125
6	Arts Academy of Excellence	172	127
7	Aspire Charter Academy	72	27
8	Capstone Academy - Milton	210	165
9	Capstone Academy - Pensacola	210	165
10	Community Charter School of Excellence	64	19
11	Discovery Academy of Lake Alfred	61	16
12	Discovery High School	63	18
13	Excelsior Charter Academy	170	125
14	Excelsior Charter School Preparatory	154	109
15	Excelsior Language Academy of Hialeah	169	124
16	Florida State University School	166	121
17	Green Springs High School	59	14
18	Gulf Coast Academy of Science and Technology	58	13
19	Marco Island Academy High School	78	33
20	Marco Island Charter Middle School	90	45
21	Mason Classical Academy	69	24
22	North Gardens High School	59	14
23	North Park High School	59	14
24	Pepin Academies	153	108
25	Pepin Academies of Pasco County	183	138
26	Phoenix Academy of Excellence Central	169	124
27	Phoenix Academy of Excellence North	169	124
28	Ridgeview Global Studies Academy	66	21
29	Sarasota Academy of the Arts	126	81
30	St. Peters Academy	56	11
31	Stellar Leadership Academy	169	124
32	Team Success A School of Excellence	66	21
33	The Passport School	53	8
34	Wakulla's Charter School of Arts, Science and Technology	210	165

**34 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, 2021)**

## EXHIBIT B

### SUMMARY OF DEFICIENCIES NOTED DURING COMPLETENESS REVIEWS OF 2019-20 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	-	-	-	638	117	18	21
The introductory paragraph of the report did not correctly identify the individual opinion units.	20	-	-	-	638	117	18	21
The report did not disclose the auditor's responsibility for the supplementary information presented.	20	2	10	-	136	113	83	82
<b>Notes to Financial Statements:</b>								
The notes did not describe the types of transactions included in program revenues.	20	-	-	-	636	53	8	9
The notes did not identify the governmental funds typically used to liquidate long-term liabilities.	20	-	-	-	134	27	20	43
The notes did not disclose the purposes of interfund balances.	20	-	-	-	398	26	7	-
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	-	-	-	635	71	11	10

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

<sup>b</sup> A total of 664 charter school audit reports were included in our completeness reviews.

## EXHIBIT C

### SUMMARY OF DEFICIENCIES NOTED DURING COMPREHENSIVE REVIEWS OF 2019-20 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 Note 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	-	-	18	8	44
<b>Pension Plan Note 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	9	30
The notes did not disclose the pension expense when the entity participated in a defined contribution plan.	20	1	5	12	6	50
<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	9	4	44
The notes did not describe the types of benefits and the authority under which the provision of benefits is established or may be amended.	20	4	20	11	6	55

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