

**REVIEW OF
DISTRICT SCHOOL BOARD,
CHARTER SCHOOL, AND
CHARTER TECHNICAL CAREER CENTER
AUDIT REPORTS FOR THE
FISCAL YEAR ENDED JUNE 30, 2021**

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 Bell, 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, 2021

SUMMARY

State law¹ 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.²

During the fiscal year ended June 30, 2021, there were 67 district school boards and 680 charter schools in operation in the State of Florida. Pursuant to State law,³ we reviewed the 2020-21 fiscal year audit reports filed with us through July 1, 2022, including audit reports for 22 district school boards⁴ and 676 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.⁵ 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: Four charter schools that closed during the 2020-21 fiscal year did not file audit reports with us. In addition, one charter school and two district school boards 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, 2022, deadline. We also noted one district school board 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, 2022, deadline. Further, while 8 charter schools and 6 district school boards filed audit reports with us by the March 31, 2022, 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 22 district school board audit reports and selected charter school audit reports disclosed certain instances of noncompliance with GAAP and GAGAS.

¹ Section 218.39(1), Florida Statutes.

² Section 218.39(7), Florida Statutes.

³ Section 11.45(7)(b), Florida Statutes.

⁴ Of the 67 district school boards, 22 were subject to 2020-21 fiscal year financial audits conducted by CPAs other than the Auditor General.

⁵ Chapters 10.800 and 10.850, Rules of the Auditor General.

BACKGROUND

State law⁶ 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 law⁷ 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).⁸

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.⁹
- Discuss with the appropriate officials all findings that will be included in the financial audit report.¹⁰
- Conduct the audits in accordance with the Rules of the Auditor General.¹¹

Additionally, State law¹² 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,¹³ we developed rules¹⁴ 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.¹⁵ The rules were adopted in consultation with the Board of Accountancy, and the rules and guidelines are available on our Web site.

⁶ Sections 11.45(2)(d) and 218.39(1), Florida Statutes.

⁷ Section 218.31(17), Florida Statutes.

⁸ *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*).

⁹ Section 218.39(4), Florida Statutes.

¹⁰ Section 218.39(5), Florida Statutes.

¹¹ Section 218.39(7), Florida Statutes.

¹² Section 218.39(6), Florida Statutes.

¹³ Section 11.45(8), Florida Statutes.

¹⁴ Chapters 10.800 and 10.850, Rules of the Auditor General.

¹⁵ Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

FINDINGS AND RECOMMENDATIONS

Finding 1: Noncompliance – Audit Report Filing Requirements

State law¹⁶ requires district school boards and 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 district school boards and charter schools have a June 30 fiscal year end,¹⁷ the reports are to be filed with us no later than March 31 each year.

For the 2020-21 fiscal year, 22 district school boards and 680 charter schools were required to file financial audit reports with us. Table 1 quantifies, as of July 1, 2022, the number of district school boards and charter schools that did not comply with the 2020-21 fiscal year audit report filing requirements.

Table 1
Noncompliance with Audit Report
Filing Requirements

Description of Noncompliance	District School Boards	Charter Schools
Audit required but report not filed.	-	4
Audit report filed more than 45 days after the report was delivered to the entity's governing body and after March 31, 2022.	2	1
Audit report filed within 45 days after the report was delivered to the entity's governing body but after March 31, 2022.	1	-
Audit report filed by March 31, 2022, but more than 45 days after the report was delivered to the entity's governing body.	6	8

Regarding the noncompliance shown in Table 1:

- 4 of the 680 charter schools in operation during the 2020-21 fiscal year did not file the required audit report with us. All 4 charter schools (Genesis Preparatory School of Gainesville, Legacy Academy Charter, Seventh Generation Classical Academy Mandarin, and The Collegiate School of Ft. Myers) closed during the 2020-21 fiscal year.
- 2 district school boards (Indian River County District School Board and Martin County District School Board) and 1 charter school (Sarasota Academy of the Arts) 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, 2022. The three audit reports were filed with us from 31 to 175 days after the 45-day deadline and 11 to 92 days after March 31, 2022, respectively.

¹⁶ Section 218.39(7), Florida Statutes.

¹⁷ 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 district school board (Miami-Dade County District School Board) filed the required audit report with us within 45 days after delivery of the audit report to the entity's governing board but 12 days after March 31, 2022.
- Although audit reports for 19 district school boards and 675 charter schools were filed with us by March 31, 2022, the reports for 6 of the 19 district school boards and 8 of the 675 charter schools were filed 54 to 149 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.¹⁸ 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 the 22 district school board and 676 charter school audit reports filed with us as of July 1, 2022, 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 law¹⁹ 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 auditors for 167 (26 percent) of the 652 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.
- The independent auditor's reports on the financial statements for 67 (68 percent) of the 98 applicable charter school audit reports we reviewed did not address the auditor's responsibility for the supplementary information presented.

¹⁸ Section 11.40(2), Florida Statutes.

¹⁹ Section 11.45(7)(b), Florida Statutes.

- Financial statement note disclosures for 2 (9 percent) of the 22 district school boards and 46 (7 percent) of the 650 applicable charter school audit reports we reviewed did not disclose whether settlement amounts 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 4 district school boards and 34 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.

As of May 31, 2022, 1 district school board and 6 charter schools had not provided the requested items, although 45 days or more had elapsed since the dates of our requests. Pursuant to State law, we notified the Legislative Auditing Committee. **EXHIBIT C** to this report provides a listing of the district school board and charter schools.

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 2020-21 fiscal year and noted certain errors and deficiencies. Specifically, we reviewed:

- Audit reports for the 22 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 financial statements, note disclosures (other than pension plans and other postemployment benefit (OPEB) plan disclosures) and required supplementary information (RSI). For example, the audit reports for 9 (15 percent) of the 60 applicable charter school audit reports and 7 (32 percent) of the 22 applicable district school board reports contained information that was not mathematically accurate.
- 52 audit reports with pension plan note disclosures, including the 22 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 11 (37 percent) of the 30 charter school reports did not disclose the assumed asset

allocation of the plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of return are presented as arithmetic or geometric means.

- The 32 audit reports with OPEB plan note disclosures and RSI, which included the 22 district school board and 10 applicable charter school audit reports, to determine the extent of compliance with GAAP and identified some noncompliance. For example, for 5 (23 percent) of the 22 district school boards and 3 (30 percent) of the 10 charter schools, the notes to the financial statements did not include a description of the authority under which the provision of benefits is established or may be amended.

EXHIBIT D 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 D** 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.²⁰
- 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 July 1, 2022, for 22 district school boards and 676 charter schools for the fiscal year ended June 30, 2021.

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 the district school board and selected charter school audit reports. Specifically, for the district school board and charter school audit reports filed with us through July 1, 2022, we completed:

²⁰ Chapters 10.800 and 10.850, Rules of the Auditor General.

- A comparison of the dates the audit report was delivered to the entity's governing body and the date the audit report was filed with us to determine, for each of the 22 district school board and 676 charter school audit reports, whether the audit report was filed with us no later than 45 days after delivery to the entity's governing body and no later than 9 months after the end of the entity's fiscal year.
- Completeness review checklists for the 22 district school board and 676 charter school audit reports.
- Comprehensive review checklists for:
 - The financial statements for the 22 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 22 district school board and 60 selected charter school audit reports.
 - Pension plan note disclosures for the 22 district school board audit reports and 30 selected charter school audit reports.
 - OPEB plan note disclosures for the 22 district school board audit reports and the 10 applicable charter school audit reports.
 - Federal Uniform Guidance²¹ reporting requirements for the 22 district school board audit reports and the 26 applicable charter school audit reports.

AUTHORITY

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, 2021.



Sherrill F. Norman, CPA
Auditor General

²¹ 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
2020-21 FISCAL YEAR AUDIT REPORTS
FILED BY MARCH 31, 2022, 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	
District School Board		Governing Body	Filed Late
1	Brevard County District School Board	123	78
2	Duval County District School Board	54	9
3	Lake County District School Board	82	37
4	Lee County District School Board	76	31
5	Palm Beach County District School Board	121	76
6	St. Johns County District School Board	118	73
Charter School			
1	Bridgeprep Academy of Broward County Charter School	69	24
2	Discovery Academy of Lake Alfred	67	22
3	Discovery High School	67	22
4	Florida State University School	128	83
5	Jacksonville Classical Academy	149	104
6	Marco Island Academy	76	31
7	North Gardens High School	72	27
8	The Chiles Academy	120	75

14 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, 2022)

EXHIBIT B

SUMMARY OF DEFICIENCIES NOTED DURING COMPLETENESS REVIEWS OF 2020-21 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports ^a				Charter School Audit Reports ^b			
	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
Auditor's Report on the Financial Statements:								
The opinion on the financial statements did not correctly identify the applicable opinion units upon which the auditor should have opined.	22	-	-	-	652	167	26	18
The introductory paragraph of the report did not correctly identify the individual opinion units.	22	-	-	-	652	167	26	18
The report did not disclose the auditor's responsibility for the supplementary information presented.	14	-	-	10	98	67	68	83
Management Letter								
The management letter did not include a statement as to whether or not corrective actions had been taken to address significant findings and recommendations made in the preceding audit report.	6	-	-	-	79	12	15	-
The management letter did not include a written statement or explanation or rebuttal concerning findings presented in the letter.	4	-	-	-	33	3	9	-
The management letter did not include a reference number for each finding presented in the letter.	4	-	-	-	31	4	13	-
Notes to Financial Statements:								
The notes did not describe the types of transactions included in program revenues.	22	-	-	-	647	65	10	8
The notes did not include a description of the type of investments authorized by legal or contractual provisions.	21	-	-	-	14	7	50	-
The notes did not include a description of the appropriate risk categories by investment type.	21	-	-	-	13	3	23	-
The notes did not identify the governmental funds typically used to liquidate long-term liabilities.	22	-	-	-	127	30	24	20
The notes did not disclose the purposes of interfund balances.	21	-	-	-	408	40	10	7

^a A total of 22 district school board audit reports were included in our completeness reviews.

^b A total of 676 charter school audit reports were included in our completeness reviews.

Description of Deficiencies	District School Board Audit Reports ^a				Charter School Audit Reports ^b			
	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
Notes to Financial Statements (continued): The notes did not disclose a description of the principal purposes of the school's interfund transfers.	22	-	-	-	364	39	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.	22	2	9	-	650	46	7	11
Schedule of Expenditures of Federal Awards: The audit report excluded a schedule of findings and questioned costs for Federal awards programs.	21	1	5	-	26	3	12	-

^a A total of 22 district school board audit reports were included in our completeness reviews.

^b A total of 676 charter school audit reports were included in our completeness reviews.

EXHIBIT C

EDUCATIONAL ENTITY 2020-21 FISCAL YEAR AUDIT REPORTS MISSING SIGNIFICANT ITEMS AS OF MAY 31, 2022

District School Board	
1	Charlotte County
Charter Schools	
1	Cape Coral Charter School Authority
2	Championship Academy of Distinction West Broward
3	Excelsior Language Academy of Hialeah
4	Kipp Impact K-8
5	Kipp Miami- Liberty City
6	Ocali Charter Middle School
<u>7</u>	Total Number of Educational Entities' 2020-21 Fiscal Year Audit Reports Missing Significant Items as of May 31, 2022.

EXHIBIT D

SUMMARY OF DEFICIENCIES NOTED DURING COMPREHENSIVE REVIEWS OF 2020-21 FISCAL YEAR AUDIT REPORTS

Description of Deficiencies	District School Board Audit Reports ^a			Charter School Audit Reports ^a		
	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
Financial Statements:						
Financial statements contained mathematical errors (nonrounding).	22	7	32	60	9	15
Notes to Financial Statements (Other than Pension Plan and Other Postemployment Benefit (OPEB) Plan Note Disclosures):						
The notes did not disclose the interfund balances by showing amounts due from other funds, by individual major fund, and by nonmajor governmental funds, nonmajor enterprise funds, and internal service funds, in the aggregate, and by fiduciary fund type.	21	-	-	31	8	26
The notes did not disclose the interfund transfers by individual major fund, and by nonmajor governmental funds, nonmajor enterprise funds, and internal services funds, in the aggregate, and by fiduciary fund type.	22	-	-	30	4	13
Pension Plan Note Disclosures:						
Regarding the defined benefit pension plan discount rate, the notes did not disclose the following about the discount rate: Assumed asset allocation of the plan's portfolio, the long-term expected real rate of return for each major asset class, and whether the expected rates of returns are presented as arithmetic or geometric means.	22	-	-	30	11	37
The notes did not disclose the pension expense when the entity participated in a defined contribution plan.	21	-	-	12	7	58
OPEB Plan Financial Statement Note Disclosures:						
The notes did not disclose the authority under which benefit provisions are established or may be amended.	22	5	23	10	3	30

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